Austria ... Sch. 18	Indonesia ... Rp 2500	Portugal ... Esc 90
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr 42	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.75	Lebanon ... £L 8.00	Sweden ... Skr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 42	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rin 4.25	Taiwan ... NT $35
France ... FFr 6.00	Mexico ... Pes. 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 70	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr 6.00	U.S.A. ... $1.00
India ... Rup. 15	Philippines ... Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,786 — Friday November 22 1985 — D 8523 B

Honduras: legal puzzle clouds election, Page 4

World news | Business summary

Botha denies Mandela rumour

South African President P. W. Botha squashed strong rumours that his Government was about to release jailed African National Congress leader Nelson Mandela, who has been in a Cape Town hospital for almost three weeks after an operation for an enlarged prostate.

Rumours of Mandela's imminent release, after 21 years in prison, were sparked off by his wife's decision to visit him before President Botha was due to meet four homeland presidents in Pretoria. One of them, Chief Mantanzima of Transkei, a relation of Mandela, is among a broad spectrum of local and foreign leaders who have called for his release.

At least three people were killed and many injured when police fired on a crowd of several thousand in the black township of Mamelodi near Pretoria. Page 4

Brussels blast

A bomb attack in Brussels during President Ronald Reagan's brief visit to Nato headquarters gave a publicity boost to a guerrilla group that has waged a 14-month campaign of violence against Nato. There were no injuries, but the offices of the US electronics company Motorola were damaged.

Ten Soviets 'killed'

Ten Soviet soldiers were burned to death when a blazing Afghan petrol tanker exploded after a rebel ambush on a fuel convoy, the Pakistan-based Jamiat-i-Islami guerrilla party said.

PM ousted

Papua New Guinea's long-serving Prime Minister Michael Somare was ousted from office in a no-confidence vote in Parliament. Page 4

Rebel chief shot

Gunmen killed Oscar William Calvo, head of Colombia's Popular Liberation Army, in Bogota only hours after he said his guerrillas would stick to a government truce.

City's crisis deepens

Liverpool City Council failed to meet a deadline for ending its financial crisis. The UK city faces a progressive shutdown of services next week. Page 6

Ransom study

Switzerland will not release details, requested by the British police, of a £2m ($2.8m) ransom paid to the Irish Republican Army through a Zurich bank account until the case is examined by the country's Justice Minister.

Human rights plea

A European Parliament human rights committee appealed to Greece not to return three families who tunnelled their way out of Bulgaria.

Palestinians jailed

An Israeli military court sent two Palestinians from the occupied West Bank to jail for life for murdering a Jewish couple.

Walesa stands firm

Lech Walesa, leader of the banned Solidarity free trade union, refused to appear before a public prosecutor in Gdansk for questioning about accusations that he slandered elections authorities last month.

90,000 flee Kate

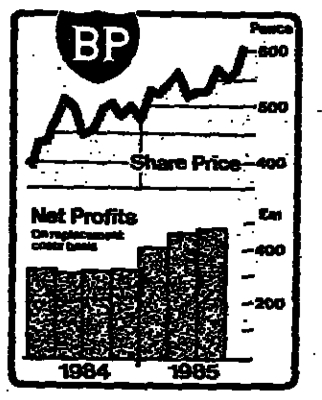
Florida Governor Bob Grahan declared a state of emergency as Hurricane Kate approached, forcing 90,000 people to flee coastline homes.

W. German freeze

Snow and ice caused at least five deaths and more than 1,000 traffic accidents in Baden-Württemberg

BP profits beat optimistic forecasts

BRITISH PETROLEUM reported third-quarter net profits up from £313m ($438m) to £447m on a replacement cost basis – its best quarterly result and ahead of even optimistic forecasts. BP's share price, which had gained 50p in the past week, added a further 13p to 605p. Chairman Sir Peter Walters said the improved results were mainly due to a strong performance in BP's refining and marketing business. Page 20; Lex, Page 16



WALL STREET: The Dow Jones industrial average closed up 23.05 at 1,462.27. Page 34

LONDON equities hit fresh peaks, spurred by a host of good trading statements. The FT Ordinary index closed 15.6 higher at a record 1,121.6 while the FT-SE 100 put on 18.8 to 1,443.1. Interest-rate hopes and firmer sterling aided gilts. Page 34

TOKYO: Stocks edged ahead although blue chips suffered sporadic profit-taking. The Nikkei average rose 54.13 to 12,697.02. Page 34

DOLLAR was weaker in London, closing at DM 2.593 (DM 2.6115), SFr 2.123 (SFr 2.141), FFr 7.9025 (FFr 7.9575) and Y202.0 (Y203.35). On Bank of England figures the dollar's exchange-rate index fell from 128.8 to 128.6. Page 27

STERLING gained 85 points against the dollar in London to $1.442 but was slightly weaker at DM 3.74 (DM 3.7425), SFr 3.06 (SFr 3.07), FFr 11.395 (FFr 11.4075) and Y291.25 (Y291.5). The pound's exchange-rate index was unchanged at 79.9. Page 26

GOLD gained 25 cents on the London bullion market to finish at $326.00 and was unchanged in Zurich, also at $326.00. Page 26

JAPAN'S four big trading houses, Mitsubishi, Mitsui, Sumitomo and Nissho Iwai reported mixed results in the half year to September. Page 18

BRAZILIAN Government will not assume responsibility for the medium-term foreign debt, totalling $450m, of three banks closed earlier this week, said Central Bank Governor Fernao Bracher. Page 4

ITALY: More than 50 leading Italian and foreign banks face having to pay back taxes which could total hundreds of millions of lire. Page 16

UK INFLATION will fall steeply to 3 per cent or less by the middle of next year in response to a strong pound and weak international commodity prices, the National Institute for Economic and Social Research forecast. Page 6

SECURITY PACIFIC, US West Coast banking group, has been given approval by the US Federal Reserve Board to underwrite insurance in the UK and follows in the footsteps of Citicorp, its New York-based rival which is keen to develop its UK insurance business.

ROBERT BOSCH, West German motor vehicle components group, has stepped in to try to thwart a bid by Siemens, the electrical concern, to take over Pierburg, carburettor manufacturer. Page 17

BOOTS, UK parmaceuticals and consumer products group, raised pre-tax profits by 8.3 per cent to £84.9m in the six months to September 30. Page 21

Serious differences remain on crucial issues following Geneva summit

Reagan and Gorbachev agree on more meetings

BY REGINALD DALE AND PATRICK COCKBURN IN GENEVA

PRESIDENT RONALD Reagan claimed yesterday to have made a "fresh start" in superpower relations despite having failed to resolve the main differences between the US and the Soviet Union on arms control and other world issues.

At their historic Geneva summit, President Reagan and Mr Mikhail Gorbachev, the Soviet leader, agreed to two more summit meetings. President Reagan said he hoped the two countries could continue the momentum generated in Geneva at a second summit in the US next year. Another summit is to be held in the Soviet Union at a time yet to be agreed.

The decision to hold summits on a more regular basis after six years without one was the highlight of a joint closing statement issued by the two leaders which acknowledged that "serious differences remain on a number of critical issues."

Mr Larry Speakes, the White House spokesman, was asked whether Mr Reagan had got on with Mr Gorbachev in the series of tête-à-tête meetings over the past two days. He replied: "I think he liked him."

While the summit ended without any breakthrough on arms control, it fulfilled one of the main Soviet pre-conditions for improved relations by acknowledging Moscow's political equality with the US as a superpower.

Mr Reagan and Mr Gorbachev appeared together at a brief ceremony at Geneva's international press centre to make separate reports on the outcome of the first East-West summit for six years which began here in a lakeside mansion on Tuesday morning. As Mr Reagan briefed Nato leaders in Brussels and then flew back to Washington to report to Congress, Mr Gorbachev went straight to Prague to report to the Warsaw Pact.

The Geneva summit produced no agreement on the most contentious superpower issue – the US Star Wars space defence programme. Mr Gorbachev repeated that he could not agree to radical cuts in offensive nuclear weapons unless Mr Reagan abandoned the programme.

In a lengthy press conference after the summit ended, Mr Gorbachev said that the Star Wars project would not only lead to an arms race but would also destroy previous arms control agreements.

The Soviet Union failed in one of its major summit objectives which had been to extract from Mr Reagan an understanding that the unratified 1979 Strategic Arms Limitation Treaty (Salt 2) be extended for a year after it technically expires on December 31.

Mr Gorbachev said that, however difficult it was to cut back nuclear arsenals today, Mr Reagan's strategic defence plan would make it virtually impossible in future. "If we open the door to the arms race in space ... then the chance of nego-

Continued on Page 16

Details, Page 2; Editorial comment; Feature, Page 14

HIGHLIGHTS OF JOINT STATEMENT

Arms control and nuclear weapons: agreed "that nuclear war cannot be won and must never be fought." Acceleration of arms control talks, due to resume in Geneva on January 16. Called for "early progress ... in areas ... including the principle of a 50 per cent reduction" in nuclear arms by both sides and "the idea" of an interim agreement covering intermediate-range weapons.

Nuclear non-proliferation: reaffirmed commitment to 1968 non-proliferation treaty and urged more countries to sign it.

Chemical weapons: called for complete ban on such weapons, to be sought through bilateral discussions and international conventions.

Economic and cultural links: pledged to develop trade and economic ties and expand cultural, educational, scientific and technical exchanges.

Further summits: Mr Gorbachev expected to visit US next year and Mr Reagan the Soviet Union in 1987. More regular meetings between foreign ministers agreed.

Air safety: announcement of agreement signed November 19 aimed at avoiding incidents such as 1983 Soviet shooting-down of South Korean airliner.

Security and conventional forces: "early and successful" conclusion sought to the Stockholm conference aiming at preventing accidental war. Pledged to work for "positive results" from 14-year Vienna talks on reducing troop levels in Europe.

Fusion research: emphasised potential importance of work on use of thermonuclear fusion for peaceful purposes.

Nato partners give outcome warm welcome

BY ROBERT MAUTHNER IN BRUSSELS

IN A RARE SHOW of unanimity, America's Nato allies yesterday welcomed the outcome of the Geneva summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev as laying the foundations for better East-West relations.

The allies' warm appreciation was expressed at a specially summoned session of the Nato's Council to which President Reagan, who had flown to Brussels straight from the summit talks, presented his personal assessment of his discussions with Mr Gorbachev.

The Nato meeting, which lasted for about an hour, was attended by 13 heads of government – out of the total of 16 members of the alliance – and all their foreign ministers, an indication of the importance which they attached to Mr Reagan's report.

Although President Reagan was clearly unable to go into great detail during such a short meeting, he gave a very positive report of his discussions with the Soviet leader, emphasising in particular the good atmosphere in which they were held.

Mrs Margaret Thatcher, Britain's Prime Minister, said on leaving the meeting that the summit had been "very constructive" and obviously presented a basis for confidence in the future.

"Everyone had been very warm in support for President Reagan and full of appreciation for the effort that he himself had made."

Mrs Thatcher, Chancellor Helmut Kohl of West Germany, and Bettino Craxi, the Italian Prime Minister, all expressed their satisfaction that President Reagan had taken so much trouble in consulting his allies both before and after his talks with Mr Gorbachev.

The US President's undertaking that all developments from the Geneva summit would continue to be the subject of consultation by the US with members of the alliance was particularly welcomed.

Mr Kohl said at a press conference last night that no one had expected President Reagan's discussions with Mr Gorbachev to lead to the solution of all or any of the complicated problems on the table.

What was important was that a dialogue, which West Germany and the other Western European governments had long advocated, had now begun. The kind of contact had been made which would enable progress towards a better East-West relationship to be made

Stockholm to abolish all controls on bank lending

BY KEVIN DONE AND DAVID BROWN IN STOCKHOLM

SWEDEN'S central bank moved yesterday to abolish all controls on bank lending as part of a far-reaching package of monetary reforms. The Riksbank insisted that the changes did not imply a more expansionary monetary policy.

The announcement, which took credit institutions by surprise, marks a major new step in the process of deregulation of Swedish financial markets which has been under way since the early 1980s.

Yesterday's package includes:

- The removal with immediate effect of the existing ceilings on lending by banks, mortgage institutions and finance companies;
- The replacement of the existing penalty rate – charged on bank borrowing from the Riksbank above a certain level – by an interest-rate scale rising in steps according to the amounts borrowed. The move will take effect on December 9; and
- The raising of cash reserve requirements from 1 per cent to 3 per cent from January 13. The reserves will have to be deposited interest-free.

Mr Bengt Dennis, governor of the Riksbank, said that yesterday's measures did not mark any change in the authorities' monetary policy stance.

In a statement, the Riksbank said: "The measures generally applied for measuring lending and liquidity may give the impression that credit policy has become more expansionary. However, a substantial reshuffling of credit will occur without implying any change in the firmness of monetary policy."

The central bank said that the removal of lending ceilings could lead to a substantial credit expansion in the banks with a corresponding reduction in the parallel so-called "grey markets" which have developed during the era of regulation.

The reform package was warmly welcomed by the banks. Mr Curt Olsson, chairman of Skandinaviska Enskilda Banken, said: "We are very satisfied to say the least. It gives commercial and savings banks an opportunity to regain market shares lost to the 'grey market' over the past decade."

In a meeting with bankers yesterday afternoon, however, Mr Dennis explicitly warned against an excessive rise in total credit volume. The Riksbank said its three-fold increase of the cash reserve requirement was a "moderating measure" aimed at preventing such an expansion.

The effective discount rate of 10½ per cent for bank borrowing up to 25 per cent of equity has been maintained. Beyond that level, a new scale is to be applied: 12½ per cent for borrowing up to 75 per cent, 14½ per cent (from 75 per cent to 125 per cent), 16½ per cent (125–175 per cent) and 18½ per cent (above 175 per cent).

Swedish banks' total borrowing from the Riksbank corresponds roughly to their total equity at some SKr 11bn (about $980m), of which SKr 3bn is borrowed at discount. Money market rates are about 13 per cent.

"The right to borrow in the Riksbank at a fixed rate without any limitation as to amount has been a problem for the conduct of market operations. The flexibility of the money and foreign exchange markets justify a more automatic system of interest-rate adaptation," the Riksbank said.

Banks face back-tax bills, Page 16

HK set to end bank secrecy

By David Dodwell in Hong Kong

HONG KONG'S long-standing tradition of total bank secrecy, similar to that of Switzerland, will come to an end if present proposals for wholesale reform of the banking sector become law early next year.

The proposals, which have won outline approval in the past week from the territory's "inner Cabinet," the executive council, would require banks to reveal to the Banking Commission the identity of anonymous nominee shareholders, make deposit-taking companies subject to the banking ordinance and introduce new capital adequacy and liquidity requirements.

The powers of the Banking Commissioner would be extended, and there would be a closer supervision of the effective control or owner-

Continued on Page 16

Dail approves deal on Northern Ireland

BY HUGH CARNEGY IN DUBLIN

THE IRISH parliament last night approved the Anglo-Irish agreement on Northern Ireland by 88 votes to 75 at the end of a three-day debate on the accord.

The agreement, signed at Hillsborough Castle in Northern Ireland last Friday by Mrs Margaret Thatcher, Britain's Prime Minister, and Dr Garret FitzGerald, Ireland's Prime Minister, will take effect once it is approved by both parliaments. It is due to be debated in the House of Commons next week, where it is assured of a majority.

Dr FitzGerald's Fine Gael-Labour coalition had an unusually comfortable majority in the Dail (lower house) – its margin of victory over the opposition Fianna Fail party reinforced by support from one Fianna Fail rebel, one independent deputy and two members of the left-wing Workers Party.

Mr Charles Haughey, the Fianna Fail leader, who has denounced the agreement as contravening the Republic's constitutional commitment to Irish unity, led his party in voting against the pact despite a suggestion by some Fianna Fail deputies that they should abstain.

A Fianna Fail amendment – proposing a constitutional conference including Northern Ireland Unionists to formulate arrangements leading to Irish unity – was defeated by 88 votes to 75.

During the debate, some disquiet emerged in Fianna Fail ranks that the leadership's opposition to the deal, which gives Dublin a formal say in Northern Ireland affairs for the first time, was out of step with many constituents who felt the

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Unionists' court plea fails, Page 8

Beecham to buy Norcliff Thayer

BY TONY JACKSON, CHEMICALS CORRESPONDENT, IN LONDON

BEECHAM, the UK health care and consumer company, is to buy Norcliff Thayer, the US proprietary medicines company, for $395m cash. The deal ends a week of speculation in which other companies, including Boots of the UK, were rumoured to be bidding for Norcliff.

Norcliff is being sold by Pantry Pride of the US, which bought the company as part of its $1.8bn acquisition of Revlon earlier this month. Beecham is also acquiring Reheis, a manufacturer of fine chemicals, but intends to sell it as soon as possible for a price estimated by Beecham at $25m to $35m. The sales of Reheis, along with Norcliff, was insisted on by Pantry Pride.

Beecham forecast that Norcliff, which makes Tums antacid tablets and Oxy acne treatments, will make operating profits of $34m in 1985 on sales of $131m. The forecast profits are 48 per cent ahead of last year's $23m.

The asset value of the two businesses being acquired is around $43m. Beecham intends to write off the goodwill arising on the acquisition over a 40-year period, giving rise to an annual charge of around $8m. However, Beecham said that the purchase was expected to make a net contribution to profits in 1986–87 after interest charges and the write-off of goodwill.

News of the deal was well received by the UK stock market, which marked Beecham shares up 13p to 303p. Although investors had had warning of the impending acquisition, the scale of profits growth at Norcliff was unexpected.

Beecham's US sales of proprietary medicines, toiletries and household products were $341m last year, with operating profits of $39m forecast to rise $50m in the current year. Norcliff's sales force of 53 will be added to Beecham's existing US sales team of 296.

Mr John Robb, chief executive of Beecham, said: "We anticipate that the deal will double the profits from this stream of Beecham's business. We are continuing to build our presence in the US market, specifically in over-the-counter medicines."

Referring to previous speculation that Beecham might be contemplating a big acquisition in ethical drugs, Mr Robb said: "Norcliff should take us a year to digest. I can't see us going out to buy a big pharmaceutical business tomorrow, even if one became available. But in the longer term, it is certainly our intention to drive as hard on acquisitions in pharmaceuticals as in any other part of our business."

Lex, Page 15; Background, Page 20

CONTENTS

Three accords are only concrete sign of new start in relations

BY DAVID BUCHAN

THREE agreements signed, or foreshadowed, yesterday in Geneva by President Ronald Reagan and Mr Mikhail Gorbachev *should make it easier for* Americans and Russians to study each other's science, arts, and language, to fly to each other's country, and to obtain consular assistance once they are there.

In contrast to arms control, officials of both countries had laid the groundwork well before the Geneva summit for new accords on civil aviation, exchange programmes, and consulates.

The only remaining question in at least American minds—answered in the affirmative this week by Mr Gorbachev—was whether the Soviet leader was ready to give his imprimatur to some of the agreements, if *he did not persuade Mr Reagan* to climb down on his Star Wars programme.

In the event, a new six-year *agreement was signed* "on contacts and exchanges in scientific, educational and cultural fields," as the Geneva statement puts it, as *the only concrete sign so* far of the new beginning in US-Soviet relations that both leaders talked of. But they both spoke of their "desire" to reach civil aviation and consular accords "at an early date."

● The new agreement on exchanges fills a gap left when the previous government-to-government accord lapsed in 1979. Talks on its re-negotiation were cancelled by the Carter *Administration* when Soviet forces invaded Afghanistan at the end of that year. The result is that overall exchanges between the two countries, including students, academics, officials, scientists, and performing artists, had by this year sunk to 20 per cent of *their* 1978 level.

The five-year absence of an official exchanges agreement *put a stop to travelling exhibits* of US life and industry which had hitherto proved very popular in provincial Soviet cities, and to almost all visits

by American performing artists. Less hard hit have been *academic exchanges*, partly because the Soviet Ministry of Higher Education proved more co-operative than the Ministry of Culture, and partly because US universities stepped up their private exchange arrangements.

But the Reagan administration, with its new restrictions on the transfer to the Soviet bloc of what it judges sensitive scientific and technical information, has made it harder for *US scientists to visit the Soviet* Union.

● The US and Soviet Union, together with Japan, have agreed on a set of air safety measures, including the use by non-Soviet airlines of Soviet guidance beacons, in the North Pacific to prevent any recurrence of the shooting down in 1983 of a South Korean airliner. This was considered by the US, which lost one Congressman and many of its citizens in the incident, an essential precondition for renewal of bilateral civil air links.

US and Soviet officials are working on a resumption of flights between their two countries, banned by the Reagan Administration in *1981*. The Soviet Union is known to be very keen to have Aeroflot flying once more to New York and Washington.

At present, Soviet citizens have to reach the US via Canada or on foreign airlines demanding *hard* currency.

● The two countries, which already have consulates in Leningrad and San Francisco respectively, were on the point of agreeing new ones in Kiev and New York when the US froze negotiations in 1979 at the time of the Afghanistan invasion.

This was considered by many US officials in retrospect to be a "shot in the foot."

Last week, a US government team was in Kiev surveying possible sites. But the Soviet Union is believed to have made *establishment* of the Kiev consulate dependent on prior satisfaction of their desire to have Aeroflot flying once more into the US.

'Differences remain on crucial issues'

THIS IS the text of the English-language joint statement issued yesterday by President Ronald Reagan and Mr Mikhail Gorbachev:

By mutual agreement, President of the United States Ronald Reagan and General Secretary of the Central Committee of the Communist Party of the Soviet Union Mikhail Gorbachev met in Geneva November 19-21. Attending the meeting on the US side were Secretary of State George Shultz; Chief of Staff Donald Regan; Assistant to the President Robert McFarlane; Ambassador to the USSR Arthur Hartman; special adviser to the President and the Secretary of State for arms control Paul Nitze; Assistant Secretary of State for European Affairs Rozanne Ridgway; special assistant to the President for national security affairs Jack Matlock.

Attending on the Soviet side were members of the Politburo of the central committee of the CPSU: Minister of Foreign Affairs, E. A. Shevardnadze; First Deputy Foreign Minister, G. M. Korniyenko; Ambassador to the US, A. F. Dobrynin; head of the Department of Propaganda of the Central Committee of the CPSU, A. N. Yakoulev; head of the Department of International Information of the Central Committee of the CPSU, L. M. Zamyatin; assistant to the General Secretary of the Central Committee of the CPSU, A. M. Aleksadrov.

These comprehensive discussions covered the basic questions of US-Soviet relations and the *current* international situation. The meetings were frank and useful. Serious differences remain on a number of critical issues.

While ackowledging the differences in their systems and approaches to international issues, some greater understanding of each side's view was achieved by the two leaders. They agreed about the need to improve US-Soviet relations and the international situation as a whole.

In this connection the two sides have confirmed the importance *of an ongoing dialogue* reflecting their strong desire to seek common ground on existing problems.

They agreed to meet again in the nearest future. The General Secretary accepted an invitation by the President of the US to visit the US and the President of the US accepted an invitation by the General Secretary of the Central Committee of the CPSU to visit the Soviet Union. Arrangements for and timing of the visits will be agreed upon through diplomatic channels.

In their meetings, agreement was reached on a number of specific issues. Areas of agreement are registered on the following pages.

Security

The sides, having discussed key security issues, and conscious of the special responsibility of the USSR and the US for maintaining peace, have agreed that a nuclear war cannot be won and must never be fought. Recognising that any conflict between the USSR and the US could have catastrophic consequences, they emphasised the importance of preventing any war between them, whether nuclear or conventional. They will not seek to achieve military superiority.

Nuclear and space talks

The President and the General Secretary discussed the negotiations on nuclear and space arms.

They agreed to accelerate the work at these negotiations, with a view to accomplishing the tasks set down in the joint US-Soviet agreement of January 8, 1985, namely to prevent an arms race in space and to terminate it on earth, to limit and reduce nuclear arms and enhance strategic stability.

Noting the proposals recently tabled by the US and the Soviet Union, they called for early progress, in particular in areas where there is common ground, including the principle of 50 per cent reductions in the nuclear arms of the US and the USSR appropriately applied, as well as the idea of an interim INF (intermediate range nuclear force) agreement.

During the negotiation of these agreements, effective measures for verification of compliance with obligations *assumed* will be agreed upon.

Risk reduction centres

The sides agreed to study the question at the expert level of centres to reduce nuclear risk taking into account the issues and developments in the Geneva negotiations. They took satisfaction in *such* recent steps in this direction as the modernisation of the Soviet-US hotline.

Nuclear non-proliferation

General Secretary Gorbachev and President Reagan reaffirmed the commitment of the USSR and the US to the treaty on the non-proliferation of nuclear weapons and their interest in strengthening together with other countries *the non-proliferation regime*, and in further enhancing the effectiveness of the treaty, *inter alia* by enlarging its membership.

They note with satisfaction the overall positive results of the recent review conference of the treaty on the non-proliferation of nuclear weapons.

The USSR and the US reaffirm their commitment, assumed by them under the treaty on the non-proliferation of nuclear weapons, to pursue negotiations in good faith on matters of nuclear arms *limitation* and disarmament in accordance with article VI of the treaty.

The two sides plan to continue to promote the strengthening of the International Atomic Energy Agency and to support the activities of the agency in implementing safeguards as well as in promoting the peaceful uses of nuclear energy.

They view positively the practice of regular Soviet-US consultations on non-proliferation of nuclear weapons which have been businesslike and constructive and express their intent to continue this practice in the future.

Chemical weapons

In the context of discussing security problems, the two sides reaffirmed that they are *in* favour of a general and complete prohibition of chemical weapons and the destruction of existing *stockpiles of* such weapons. They agreed to accelerate efforts to conclude an effective an verifiable international convention on *this* matter.

The two sides agreed to intensify bilateral discussions on the level of experts on all aspects of such a chemical weapons ban, including the question of verification. They agreed to initiate a dialogue on preventing the proliferation of chemical weapons.

Mutually balanced force reductions.

The two sides emphasised the importance they attach to the Vienna (MBFR) negotiations and expressed their willingness to work for positive results.

Conference on Disarmament in Europe

Attaching great importance to the Stockholm conference on confidence and security building measures and disarmament in Europe and noting the progress made there, the two sides stated their intention to facilitate, together with the other participating states, an early and successful completion of the work of the conference. To this end, they reaffirmed the need for a document which would include mutually acceptable confidence and security building measures and give concrete expression and effect to the principle of non-use of force.

President Reagan and General Secretary Gorbachev agreed on the need to place on a regular basis and *intensify dialogue at* various levels. Along with meetings between the leaders of the two countries. This envisages regular meetings between the USSR Minister of Foreign Affairs and the US Secretary of State, as well as *between the heads of other* ministries and agencies. They agree that the recent visits of the heads of ministries and departments in such fields as agriculture, housing and protection of the environment have been useful.

Recognizing that exchanges of views on regional issues on the expert level have proven useful, they agreed to continue such exchanges on a regular basis.

The sides intend to expand the programmes of bilateral cultural, educational and scientific-technical exchanges, and also to develop trade and economic ties. The President of the United States and the General Secretary of the Central Committee of the CPSU attended the signing of the agreement on contacts and exchanges in scientific, educational and cultural fields.

They agreed on the importance of resolving humanitarian cases in the spirit of co-operation.

They believe that there should be greater understanding among our peoples and that to this end they will encourage greater travel and people-to-people contact.

Northern Pacific air safety

The two leaders also noted with satisfaction that, in co-*operation with the government* of Japan, the United States and the Soviet Union have agreed to a set of measures to promote *safety on air* routes *in the North* Pacific and have worked out steps to implement them.

They acknowledged that dele-*gations from the US and the* Soviet Union have begun negotiations aimed at resumption of air services. The two leaders expressed their desire to reach a mutually beneficial *agreement* at an early date. In this regard, an agreement was reached on the simultaneous opening of the consulates general in New York and Kiev.

Environmental protection

Both sides agreed *to* contribute to the pressuration of the environment — a global task—through joint research and practical measures. In accordance with the existing US-Soviet agreement in this aarea, consultations will be held next year in Moscow and Washington on specific programmes of co-operation.

Exchange initiatives

The two leaders agreed on the utility of broadening exchanges and contracts including some of their new forms in a number of scientific, educational, medical and sports field *inter alia*, co-operation in the development *of educational exchanges and* software for elementary and secondary school instruction measures to promote Russian language studies in the US and English language studies in the USSR; the annual exchange of professors to conduct special courses in *history*, culture and economics at the relevant departments of Soviet and American institutions of higher education; mutual *allocation of* scholarships for the best students in the natural sciences, technology, social sciences and *humanities for the period of an* academic year; holding regular meets in various sports and increased television coverage of sports events). The two sides agreed to resume co-operation in combating cancer diseases.

The relevant agencies in each of the countries are being instructed to develop specific programs for these exchanges. The resulting programs will be reviewed by the leaders at their next meeting.

Fusion Research

The two leaders emphasized the potential importance of the work *aimed at utilising* controlled themonuclear fusion for peaceful purposes and, in this connection, advocated the widest practicable development of international co-operation in obtaining this source of energy, which is essentially inexhaustible, for the benefit of all mankind.

A DAY IN THE LIFE . . .

AFTER TWO days of intensive negotiations President Reagan yesterday embarked on a 24-hour schedule which would severely tax a man half his 74 years.

09.00 GMT (10.00 am Geneva time) public ceremony with Mikhail Gorbachev to present their joint statement.

13.11 (14.11) he departed Geneva for Brussels.

15.00 (16.00) he arrived at the Nato headquarters in Brussels.

17.12 (18.12) he flew from Brussels to Washington where he was due to report to a joint session of Congress at 02.00 on Friday (21.00 local time).

The last of many handshakes at the summit. Foreign Minister Eduard Shevardnadze gras ps Mr Reagan's hand, and Mr Gorbachev that of *State Secretary* George Shultz.

Gorbachev delivers hour-long lecture

Mr Mikhail Gorbachev said yesterday that the door to an arms race in outer space must be "firmly slammed shut," adding that summit talks with President Ronald Reagan failed to change Moscow's opposition to American Star Wars plans.

Mr Gorbachev, gesturing dramatically as he delivered an hour-long monologue at a news conference, invoked an image of Star Wars technology run amok and threating the world with a nuclear catastrophe.

"Political leaders couldn't stop it," he said. "All restraint will be blown to the wind."

Such a space-based defence system could run haywire with broken-off nuclear warheads wreaking *havoc on the* world, he said.

But if Star Wars development is halted, "we are prepared *to engage in radical* cutbacks in nuclear weapons. We are prepared to an initial phase of a 50 per cent cutbacks *in* arsenals and we are prepared to appeal to other nuclear powers to join with this and take it further."

***The Soviet leader said he* had tried hard to convince Mr Reagan that the development of space weapons would *invoke enormous dangers for* the world and would mean the arms race running out of control.**

***But he said he had failed* to convince the President. At times their talks had become "very, very lively indeed." After the meetings "we saw that the Americans didn't like our logic."**

He called Mr Reagan's commitment to Star Wars incomprehensible. "I can understand that as a human being he might get caught up in all this (space technology), but not as a political leader."

But, he emphasised, if Mr Reagan stuck to Star Wars the Soviet Union would find a way of keeping up.

"I told Mr President we are not simpletons." The Soviet Union had always kept pace with previous American scientific and military advances and had the resources to do the same with Star Wars.

Although there had been no breakthrough on disarmament, he said he had detected a sense of responsibility on both sides in Geneva which bode well for their chances of tackling all crucial international issues.

"I would be so bold, I think, as to state that despite the fact that there is as much weaponry in the world as before the meeting, the world is nevertheless a safer place."

Although Mr Gorbachev's *hour-long comments on Soviet* attitudes towards East-West relations were occasionally tinged with bitterness on the *issue of space weapons, his* assessment of the summit was generally upbeat and cheerful. After his address, held at the Soviet Union's UN *mission to* Geneva, he answered questions from journalists for half an hour.

The new cordiality between the superpowers shone through when Mr Reagan and Mr Gorbachev earlier presided over a joint ceremony *to sign consular, cultural and* scientific accords.

Before hundreds of reporters and dozens of delegation officials, *the leaders joked,* grinned, exchanged small talk, applauded each other and beamed with approval as their foreign ministers signed the three agreements.

Curtain lifts for Soviet television audience

THE SUMMIT brought Soviet television viewers a live glimpse of President Reagan for the first *time yesterday, as well as more* evidence of their own leader's expressive public style, Reuter reports from Moscow.

The closing ceremony and Mr Gorbachev's 90-minute news conference were both shown live and in full on the main television channel.

First, Mr Gorbachev was seen making a brief speech at the ceremony, then Mr Reagan took the stand. His remarks were translated simultaneously into Russian, but the words were clearly audible as he said them *in English*.

Western diplomats and Moscow residents could not recall the tightly controlled state television showing the 74-year-old US President speaking live or in full before.

One Soviet viewer said it was strange to see Mr Reagan on the screen and thought he looked surprisingly old, while another thought he looked very well, saying: "It shows he can do more than just stand up straight."

The Soviet state media nor-*mally give a negative portrayal* of the US, though avoiding strong personal attacks on the President.

Mr Gorbachev's *vigorous open* style, a sharp contrast to the rigid demeanour of his aged predecessors, has become familiar to the Soviet public since he took office in March.

Early last month, many viewers were amazed to see him fielding awkward questions from a French television interviewer without using notes. Two days later his adroit handling *of a Western news conference* was also shown on the main television news.

At yesterday's conference, Mr Gorbachev again *departed* from his prepared notes, gesticulating as he sought to explain the Soviet viewpoint to the world's media. But, in contrast to the two earlier appearances, he was not asked questions on subjects likely to be considered provocative.

Mitterrand defends Socialist record

By David Housego in Paris

THE FRENCH President, Mr Francois Mitterrand, said yes-*terday that public opinion had* judged the performance of the Socialist administration unfairly.

He *emphasised* the Government's record in bringing down inflation and restructuring industry at a news conference aimed largely at reviving the party's electoral chances in advance of the general election next March.

It coincided with the publication of an opinion poll showing that the parliamentary Right will win an absolute majority of the seats in the National Assembly and that the Socialists' potential share of the vote has slipped to 22 per cent from 24 per cent in September.

At the same time, a weekly magazine normally sympathetic to the Socialists carried a front page picture of Mr Mitterrand in its *issue yesterday with the* title: "Is he finished?"

Mr Mitterrand said he believed that the subjects of *national defence, Europe* and strengthening France's presence in outer space all commanded sufficiently widespread agree-*ment to be kept out of* the electoral arena. All are issues on which the President is seeking to maintain his influence in *the case of* an opposition victory next year.

He also said that the French should make common cause *over a number of social issues* including the defence of the minimum wage, retirement at 60 and a fifth week's paid *holiday*.

But the most controversial area in which he called on his countrymen to bury their dif-*ferences was over immigration* policy. Mr Mitterrand said that those immigrants with valid working permits should be made *to feel at home*.

The extreme right-wing National Front has been campaigning on a racist platform that puts pressure *on* immigrants to leave.

The President declined to answer questions on how he *would act in the event of a* right-wing majority next March. He said simply that he had been elected for seven years (to 1988) and would "do his duty."

In repeating the constitutional position, however, he sought to make clear that he does not intend *to step down if* the Socialists are defeated.

The news conference was almost certainly the last that Mr Mitterrand will give before the election—and thus the last before his power is much reduced by having a hostile National Assembly *facing* him. It lasted 1 hour 50 minutes and was broadcast live. He appeared relaxed and at ease. But his lengthy replies sometimes had his audience shifting in their seats.

He said of the Geneva talks between President Reagan and Mr Gorbachev that the "simple fact of renewing the dialogue is a sign of hope."

However, he warned that France must continue to develop its nuclear deterrent and that both France and the rest of Europe needed to enhance their own space technology

Visible trade back in black last month

By Paul Betts in Paris

FRANCE'S VISIBLE trade *balance returned to surplus last* month confirming the Government's target of holding down the overall trade surplus this year to around FFr 25bn (£2.2bn).

The surplus last month on a seasonally adjusted basis totalled FFr 982m compared with a deficit of FFr 2.6bn the month before. The latest figures bring the cumulative trade deficit for the first 10 months of this year to FFr 19.7bn compared with a deficit of FFr 22.5bn in the same period last year.

The improvement in the trade figures last month reflect a higher surplus from agricultural and food products. This totalled FFr 4.5bn compared with an average monthly surplus for this sector of FFr 2.2bn during the first nine months of the year.

The trade surplus *for industrial* goods also improved last month to FFr 8.1bn compared to a monthly average of FFr 5.2bn *in the third* quarter of this year.

Attempts to fix speed limit for EEC motorways flounder

BY PAUL CHEESERIGHT IN BRUSSELS

ATTEMPTS by the European Commission to fix an EEC-wide speed limit for the motorways are floundering.

The initiative is likely to fall foul of the motor industry. It *has been undermined, perhaps* fatally, by the West German Government decision not to impose any speed limits on the autobahns.

The Commission has committed itself to presenting proposals on speed limits to the Council of Ministers by the end of the year.

Mr Stanley Clinton Davis, Transport and Environment Commissioner, threw the offer into negotiations on vehicle *emissions earlier this year as* part of his effort to win an agreement on new exhaust standards.

Inside the Commission, an inter-departmental group has produced a working document which puts forward two options for speed limits to apply throughout the *Community* on motorways and on roads outside town. They are:

● A limit for cars and light *vehicles on the motorways* of 100 kmh and of 80 kmh on all other non-urban roads.

● A limit for cars and light vehicles of 120 or 130 kmh on *the motorways with variations* to 20 kmh downwards to allow for local variations and of 90 kmh on all other non-urban roads.

These conclusions, on which Mr Clinton Davis has yet to make up his mind, have been discussed with the motoring organisations, road *safety* groups and with the motor industry.

The reaction was cautious on the grounds that the working document did not appear to be backed by enough data and that, furthermore, it would be necessary to wait until the West *Germans had finished a year*-long study of the effects of speed on vehicle emissions.

Not only that, but a further Commission study on the energy-saving implications of speed limits had not been completed.

The springboard for Com-*mission interest in the first* place was environmental — the case, argued by France, that driving at high speeds pushes into the atmosphere more polluting nitrogen oxide than driving at lower speeds.

On the lower of the two options put forward by the *working group, the calculation* is that if speed limits were observed, there would be a reduction of 3 per cent on all nitrogen oxide emissions. On the higher of the two options, the reduction would be "slight."

But this 3 per cent figure is *pushed aside* by the West German study that provided the basis for the Government's decision not to impose a speed limit.

The study is thought to be the most thorough ever done on the subject in Europe and it found that the net effect of a *speed limit reduction* to 100 kmh would be 1 per cent.

The problem is further complicated for Mr Clinton Davis by the assumption that *most of* the speeding up and down the European motorways is done by cars of or more powerful than 2000cc.

Such cars will soon compulsorily be fitted with catalytic converters to cut noxious emissions.

If Mr Clinton Davis comes forward this year with a precise speed limit proposal, then it seems likely he will base it much more firmly on road safety than on environmental factors.

On this, the working group report is sketchy. He must in any case be bracing himself for a row. First, Mr Friedrich Zimmermann, West German Interior Minister, has made it *clear* Germany will block a Community initiative.

Second, opinion in the motor industry itself appears to be *hardening* against a reduction of the various motorway speed limits around the Community.

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John Wicks reports on a new referendum campaign

Animal rights activists worry Swiss companies

NEWSPAPER pictures of Snoopy, the cartoon dog, attached to electrodes have started to appear in Switzerland, symbolising a campaign which has worrying implications for the country's flourishing pharmaceutical companies.

The pictures illustrate reports on the efforts of environmentalists to impose a complete ban on animal experiments. Their proposal is to be voted on in a referendum on December 1.

The text of the Anti-Vivisection proposal is so uncompromising that it has been rejected as extreme by the Government, by a large majority in both Houses of Parliament, and even by the National Society for the Prevention of Cruelty to Animals. To go through, it would need not only a popular majority but also majorities in a majority of the Swiss centons. But referendums have benn known to produce surprising results, and this is an emotional campaign.

The organisation which has put the proposal on to the ballot paper is Helvetia Nostra, led by Mr Franz Weber, a media personality who has headed numerous "nature-lover" campaigns, both in his native Switzerland and abroad.

His views and those of his allies—among them some representatives of the churches and both left and right-wing radical groups—are outspoken, to say the least. Researchers in animal laboratories are described as "criminals," animal experiments are accused of being directly responsible for the AIDS disease and for the Union Carbide catastrophe in India.

They claim that 60 per cent of all illnesses are due to pharmaceuticals and one pamphlet distributed in Zurich goes so far as to call the industry's concern about human health hypocritical, since "they want us to live longer so we can be ill longer."

The proposal admits of no compromises. "Vivisection of vertebraes and cruel animal experiments" would be banned with immediate effect, violators of this rule being subject to the same sever penalties which the penal code allots for bodily harm against humans.

Switzerland already has one of the world's most stringent animal-protection laws, drawn up in 1978 and brought into force in 1981. The law has been attacked as too soft by the animal-rights movement — but 85 per cent of voters approved it in a referendum.

This law permits animal experiments but limits them to an "indispensable minimum." Unlike the situation in some countries, where blanket licences to carry out experiments are granted to individuals or institutions, every experiment has to be registered with cantonal authorities. Special approval is needed for tests which result in pain, fear, or severe discomfort.

This does not go far enough for the official Animal Protection Society STS, which groups 70 local organisations, even though it considers Helvetia Nostra's total ban as unrealistic and premature.

Basle chemical companies are watching the anti-vivisectionist campaign with concern. Switzerland's pre-eminence in this field could be at stake, they say.

STS, which feels the 1978 law was watered down due to pressure from the pharmaceutical industry, is now planning to launch its own referendum proposal. Aimed at the "drastic and gradual limitation of animal experiments," it would incorporate a general ban on such tests with exceptions to be decided by the legislators.

These would be granted only with "extreme caution," in cases where they were not seen as decisive in the saving of human or animal life or for the cure or relief of serious suffering.

The existence of this counter-proposal lessens the chances of success of the Anti-Vivisection proposal. Its announcement earlier this year was denounced by Mr Weber as an "obvious act of sabotage."

For all that, the mere possibility of his motion getting through on December 1 is enough to keep Basle executives awake at night. The pharmaceutical and agro-chemical sectors of the Swiss chemical industry would have to carry out a complete restructuring if they were suddenly unable to experiment on animals.

According to a study produced by the Battelle Institute in Geneva, this would mean the short-term loss of at least 6,000 jobs and the long-term disappearance of at least 13,000—of which 10,000 are in the Basle area.

Since animal experiments are still considered essential in chemical research, the Basle multinationals would have to expand their laboratories abroad. Some long-term programmes already seem to have been launched in the US and elsewhere, rather than in Switzerland, just in case.

However, a relocation of animal testing is not ideal. The Government fears test animals would fare worse in countries with more lax controls, quite apart from the blow to the national economy. The companies would be able to shift only some of the work into their subsidiaries, especially in view of the pending tightening-up of animal-experiment laws in West Germany and the likelihood of a Helvetia Nostra success strengthening the arm of other foreign animal-rights campaigners.

The companies, both for cost reasons and in the light of their re-thinking of the vivisection problem, claim however to be using fewer and fewer animals. Although Helvetia Nostra speaks of 4m animals being used annually in experiments in Switzerland, the cantons report a fall to 2m (97 per cent of them small rodents) in 1983 and some 1.75m last year.

The big three companies, Ciba-Geigy, Hoffmann-LaRoche and Sandoz, say their animal use has fallen from nearly 2.7m in 1977 to under 1.5m in 1984.

They hope to be able to continue this reduction in the next few years. However, computer models, in-vitro tests and the like can in the foreseeable future result in the saving of only some animal lives.

The unpleasant fact of vivisection in one form or another will remain unless it and classical research are banned next month altogether.

Portugal set for period of expansion

By Diana Smith in Lisbon

PORTUGAL'S NEW Social Democrat Government is putting the finishing touches to its first package of financial measures following its defeat in Parliament of Communist and Socialist efforts to block an expansionist programme.

The measures drastically reverse two years of austerity enforced by the previous Administration in order to bring Portugal's current account under control. Excessive spending in 1980-1982 severely stretched foreign borrowing and balance of payments deficits.

The new Prime Minister, Prof Anibal Cavaco Silva, who is an economist, believes massive investment and rapid economic growth, not stabilisation programmes, are the solution for structural balance of payments problems.

Portugal's capacity to grow fast, however, is conditioned by the need to manage foreign borrowing carefully ($16bn foreign debt is more than 70 per cent of gross domestic product) and to keep current accounts deficits from ballooning dangerously. The deficit, which shrank below $200m this year, can afford to grow to about $1bn in 1986.

The programme of the new, strongly technocratic government reflects the growth philosophy: a more active role for private enterprise, lower taxes and softer interest rates, coupled with less state interference in the economy, are the keynotes. In the next few days, the cabinet is expected to present a package containing lower interest rates and better tax incentives for the capital markets.

These are intended to promote investment generally and to lure private savers to the somewhat timid stock and bond markets, as well as persuading companies to go public, rather than perpetuating the habit of operating on weak capital and heavy bank loans they often cannot repay.

The Government wants in the coming months to rework rigid labour laws that have discouraged investment and rationalise the public industrial sector with its low productivity and constant losses. The petrochemical, shipbuilding and basic chemicals corporations alone lost $300m in total last year.

AMERICAN NEWS

House clears Pentagon reforms

BY STEWART FLEMING IN WASHINGTON

THE US House of Representatives has overwhelmingly passed legislation calling for the most far reaching reform of the Defence Department since 1947. The move brings nearer the prospect of another confrontation on defence issues between Congress and Mr Caspar Weinberger, the embattled Defence Secretary.

As the Defence Department reform proposals were clearing the House, staff officials on Capitol Hill were privately reporting that rapid progress was being made in efforts to reform the budget process in a way which could force the White House to cut deeply into defence spending.

It is unclear however whether President Ronald Reagan will sign into law a budget reform Bill from Congress which could force him to begin to undo the huge defence build-up which took place during the first four years of his Presidency.

Both the Pentagon and the budget reform Bills have been fiercely opposed by Mr Weinberger, whose relations with some of the most influential Congressmen on military affairs have recently come under considerable strain.

The leak by an Administration official of a letter from Mr Weinberger to the President on the eve of the Geneva summit urging Mr Reagan to make no concessions in Geneva, has been interpreted as a further sign that some of his colleagues in the White House are also seeking to undercut the Defence Secretary. Mr Weinberger was excluded from making the trip to Geneva. Two of his top aides who are seen as hardliners on US-Soviet relations, did go however.

The fact that Mr Weinberger has a close and long-standing personal relationship with the President, and that Mr Reagan does not seem to have made major concessions in Geneva suggests that the Defence Secretary will continue to enjoy the confidence of the man whose support he most needs in the battles with Congress which seem to lie ahead. In Geneva Mr Reagan also went out of his way to scotch rumours that Mr Weinberger may quit.

The passage through the House by a vote of 383 to 27 of the Defence Department reform legislation is a signal, however, that Mr Weinberger has a tough battle on his hands. The Republican controlled Senate has begun hearings on an even more radical defence reform proposal.

The House Bill would make the Chairman of the Joint Chiefs of Staff, rather than the five members of the joint chiefs as a group, the principal adviser to the President and the Secretary of Defence.

In addition, it would authorise the President or the Secretary of Defence to make the chairman the third in the military chain of command. The chairman would be given the responsibility of presenting Defence Department budget plans to the Secretary of Defence, replacing the existing system under which the army, navy and air force present their budgets independently.

In military terms one of the main objectives of the reforms is to give greater unity to the command structure and break down what are too often perceived to be inter-service rivalries which do not contribute to effective military co-operation.

The hope also would be that reform would tighten up procurement procedures. These have been heavily criticised over the past two years as being inefficient and wasteful.

Weinberger . . . growing strains

Duplication of spending and weapons systems has arisen largely because of the ability of the branches of the armed services to submit the budget requests independently.

Brazil declines to take on debts of failed banks

BY ANN CHARTERS IN SAO PAULO AND PETER MONTAGNON IN LONDON

THE BRAZILIAN Government will not assume responsibility for the medium-term foreign debt of three banks closed earlier this week, Mr Fernao Bracher, Central Bank Governor, said yesterday.

Its decision heralds a new upset in the relations between Brazil and froeign bank creditors as the amount of money owed by the three banks—Auxiliar, Comind and Maisonnave—*is large at some $450m.*

Bankers say it could complicate talks scheduled for December 12 between Mr Bracher and leading creditor banks at which Brazil is expected to request an extension of short-term loan facilities due to expire on January 17.

The closure of the banks on Tuesday night followed what the Central Bank called "grave irregularities." It said their assets exceeded their liabilities by the equivalent of some $800m.

The Central Bank said, however, about $180m in short-term foreign loans owed by these banks will be honoured, a move which is seen as designed to prevent pressure on other Brazilian banks to repay their short-term foreign borrowings.

But bankers said this is almost certainly not enough to ensure a positive response to Brazil's expected request next month for $16bn in shortterm money market lines and trade credits to be held in place while a full-scale rescheduling of the country's $103bn foreign debt is worked out.

Brazilian bank stocks declined yesterday, but other financial market were calm as problems with the three banks had been generally discounted after liquidity crises earlier in the year.

Comind, a long-established Sao Paulo bank ranks sixth in terms of deposit among private banks. The closure of Banco Auxiliar, which ranks 12th, has forced the country's largest canned food company CICA to declare insolvency, while the country's sixth largest store chain has started bankruptcy proceedings following the closure of Maisonnave.

Mr Dilson Funaro, Finance Minister, said on television yesterday the Government would protect small depositors who would be paid in full next month, but foreign banks would have to stand in line along with other creditors until the banks' assets had been sold, he added.

Legal puzzle clouds Honduras election

BY TIM COONE IN TEGUCIGALPA

AN AIR of confusion and crisis reigns in Honduras on the eve of Sunday's elections in which 1.9m people will elect their new President for the next four years. Control of the 123-member National Congress and of local municipalities will also be determined.

The confusion relates to the method of election of the President. Under the country's constitution, the candidate winning a simple majority becomes leader. But earlier this year, following a political crisis in the country which almost precipitated a military coup, an electoral pact was agreed between the main parties.

The terms of the pact were that the leading candidate of the party winning the most votes in the election would assume power. It is therefore possible that two separate individuals from the two main parties could both have valid claims to the Presidency.

Honduras has a history of military governments, and the incumbent President, Mr Roberto Suazo Cordoba, created a major division both within his own Liberal Party and also within the main opposition National Party by trying to interfere in the selection process of both group's Presidential candidates. Under pressure from the army, the electoral pact was agreed.

> 'In spite of the uncertainties the election campaign is likely to be fair. Reasonable controls have been placed on voting procedures and the count. A large turnout is expected. Neither of the two main candidates however can expect an easy road to the presidency.'

The Liberals' favoured candidate is Mr Jose Azcona Hoyo, who although a bitter enemy of the incumbent President, is not thought likely to achieve a majority vote for himself. His main challenger from the National Party, Mr Rafael Callejas, has a youthful and dynamic image and is free of the taint of what has generally been considered a lacklustre and corrupt government under President Suazo Cordoba.

A possible result is a simple majority for Mr Callejas for the Presidency, but a greater combined vote for the Liberal Party, so that Mr Azcona could claim the Presidency under the pact. The constitutional crisis would arise if Mr Callejas's party challenged that claim in court which it has threatened to do.

The crisis would then be exacerbated by the fact that the Supreme Court is controlled by President Suazo Cordoba. He is opposed to both major candidates and is trying to get his own protegé elected, but without much prospect of success.

Despite the uncertainties, the election campaign is likely to be fair, as reasonable controls have been placed on the voting procedure and the count. A large turnout is expected.

The smaller political parties, the Christian Democrats, the Pinu party, and M-Lider, a faction of the Liberals, are hoping to win a greater share of seats on the National Congress as a result of the proportional representation system, giving the centre-left a serious political profile for the first time. They could end up controlling as much as 10 per cent of the congress and be able to mount a much stronger opposition to the presence in Honduras of both the military forces and the Nicaraguan counter-revolutionaries.

Both the main Presidential candidates have similar views on economic and foreign policy, looking to the US as the main source of economic assistance and military security, so no fundamental changes in policy are likely in 1986. But neither can be complacent in victory.

Internal party disputes, the emergence of the centre left, growing economic problems and increasing pressure to investigate the disappearance of more than 100 opposition political activists under President Suazo's Cordoba Government will keep up the pressure for the length of their term.

Betancur faces criticism on two fronts

By Sarita Kendall in Bogota

PRESIDENT Belisario Betancur of Colombia is coming under heavy criticism for the huge loss of life in last week's volcano disaster and for his handling of the attack by M-19 guerrillas on the Palace of Justice two weeks ago.

Around 25,000 people are now believed to have died following the eruption of the Nevado de Ruiz and many Colombians are arguing that stronger preventative measures could have significantly reduced the death toll.

Congress, is soon to debate the events surrounding the army assault on the Palace of Justice in which around 100 people were killed and harsh criticism of the President and his Government is expected.

Colombia's former Liberal and Conservative presidents have issued a declaration saying the country's institutions should come above all else. They do not, however, offer their direct support for President Betancur, emphasising instead the nee for a national consensus to ensure democratic stability.

Boost for UAW in Honda battle

BY TERRY DODSWORTH IN NEW YORK

THE United Auto Workers Union of the US has won an important round in its four-year battle to achieve negotiating rights at Honda, the Japanese car manufacturing group which has a large factory in Marysville, Ohio.

After a successful petition to the National Labour Relations Board (NLRB), the government body with overall supervisory responsibilities for trade union activity, the 2,500 workers at the Ohio factory will be polled on the question of union representation next month.

A victory by the union, which has been losing members heavily in recent years, would set an important precedent as it tries to extend its hold over the plants run by Japanese companies establishing themselves in the US.

Nissan, the first Japanese group to move into US manufacturing, has set its face resolutely against unionisation, and although the UAW has won representation at the joint Toyota-General Motors facility in California, the union there has agreed to surrender many of its traditional rights in return for more voice in the running of the plant.

Among other Japanese investments, the Mazda plant near Detroit will be unionised, but it is not yet clear whether the UAW will be granted representation at the joint Mitsubishi-Chrysler factory in Illinois.

Under the NLRB's rules, workers in a plant unit can demand a vote if they are able to assemble the support of 30 per cent of eligible staff. If they then capture a simple majority of the votes cast, they are entitled to union representation.

In Ohio, a winning vote would effectively mean that the UAW would become the sole bargaining agent at the plant, representing all the workers. Some states, particularly in the south, have "right to work" rules which mean workers can opt not to join a union.

Honda has never categorically rejected union representation at the Marysville operation, and clearly opened itself up to the risk of UAW intervention by building its plant in Ohio. Even though Marysville lies in a heavily agricultural area, Ohio is one of the most unionised states in the country, unlike, for example Tennessee, where Nissan chose to locate.

On the other hand, the company has clearly tried to adopt managerial policies that would marginalise trade union activity, calling its workers "associates" and injecting a dash of Japanese-style communications into the running of the plant.

Mr Al Kinzer, a Honda vice-president, said: "Our feeling has been and remains that we have told our associates the ultimate decision is up to them. We respect their rights."

In previous organising drives at the Marysville facility the UAW has had only limited success, although it has managed to gain representation in the powerhouse unit, which employs only a handful of people. After complaints over some procedures a year or so ago, the company moved to adapt its policies to employees' demands.

The union claims, however, that there is now a substantial body of opposition to the group, mainly on non-wage issues such as line speeds, lack of job rostings and failure to grant seniority in shift assignments.

OVERSEAS NEWS

South African police open fire on crowd in black township

BY ANTHONY ROBINSON IN JOHANNESBURG

AT LEAST three people were killed and many injured when police fired on a crowd several thousand strong outside the administration office of the black township of Mamelodi, near Pretoria, yesterday.

The crowd, mainly elderly people and youths, were protesting against the banning of the funeral of victims of earlier unrest and called for rent reductions and the withdrawal of police and army units from the township.

Police set up roadblocks and ordered journalists out of the area, which is not included in the state of emergency, while Gen Bert Wandrag, commander of the riot police, took personal charge.

According to the police at least 13 people were arrested after several attacks on police vehicles with stones and petrol bombs while the police in armoured cars fired teargas, bird shot and pistols and "may have used rifles."

Eyewitnesses report chaotic scenes outside the administration building after the police opened fire with elderly people being trampled in the stampede away from the shooting.

Unconfirmed reports indicate that the death toll may be considerably higher than the one death confirmed by police and those of two elderly women, one shot and the other asphyxiated by teargas, confirmed by a local doctor

South African President P. W. Botha yesterday squashed strong rumours that jailed African National Congress leader Nelson Mandela was to be released, but added that "no decision has been taken." He did not elaborate. Mr Mandela, 67, was imprisoned for life in 1964 for sabotage, conspiracy to overthrow the government by revolution and other charges and has been in a Cape Town hospital since early this month after a prostate operation.

The media restrictions imposed three weeks ago have increased reliance on laconic police reports whose reliability and completeness is independently verifiable only to a limited extent. Yesterday the police admitted that they had "overlooked" five bullet-ridden bodies in Queenstown

While the violence was taking place in Mamelodi, President P. W. Botha was host to a "summit" meeting in nearby Pretoria with the presidents of the four "independent" homelands of Transkei, Ciskei, Baphuthatswana and Venda.

Guns blaze as Waite tells of progress

By Nora Boustany in Beirut

PINNED DOWN on the floor of a news agency in downtown West Beirut yesterday evening, Mr Terry Waite, the Archbishop of Canterbury's envoy, confirmed that he had met with the captors of four US hostages held in Lebanon.

As a furious gunbattle between Shi'ite and Druze militiamen raged in the streets outside, he told a western journalist that "we have definitely taken steps forward" in the mediation bid to obtain the release of western citizens kidnapped earlier this year by Islamic extremists.

He was unable to attend a scheduled meeting with the press in the Commodore Hotel across the street because of the intensity of the battle between militiamen of the mainstream Shi'ite Amal organisation and the predominantly Druze Progressive Socialist Party (PSP).

The fighting in the Hamra district—hitherto spared such intense close quarter combat appeared not to be related in any way to Mr Waite's mediation efforts.

It developed from a clash on Wednesday night between the predominantly Shi'ite Lebanese Army's 6th Brigade and fighters of the PSP outside the state TV station in West Beirut.

The militiamen tore down the Lebanese flag and stopped broadcasts before storming into schools and universities to rip down the national banner and replace it with their own PSP insignia.

In the midst of the furore Mr Waite, a lay member of the Anglican Church, spoke of his hopes to meet with officials of the Episcopalian and Presbyterian churches in the US, as well as the Administration.

The group which he succeeded in meeting is believed to be the shadowy "Islamic Jihad." Altogether six US citizens are held hostage in Lebanon, four Frenchmen and one Briton.

Pandemonium broke out in the hotel as journalists and cameramen scrambled for cover as the boom of rocket propelled grenades resounded outside.

A woman with a blood-stained white scarf was pulled in to the lobby screaming hysterically. Her husband was shot dead in Hamra Street one block away.

Samuel Senoren reports on attempts to oust President Marcos at the polls

Opposition support grows for Mrs Aquino

PHILIPPINE opposition parties are facing a major dilemma in selecting a credible and widely acceptable candidate to challenge 68-year-old President Ferdinand Marcos in elections proposed for February 7 next year.

An opposition coalition, formed to choose a single Presidential candidate, appeared to be heading for a break-up this week after its chairman, former Supreme Court Justice Mrs Cecilia Munoz Palma resigned in a quarrel with another opposition leader, Mr Salvador Laurel.

Mr Laurel, 57, son of wartime President Mr Jose Laurel Sr, charged that the coalition was rigging the selection process to favour the candidacy of Mrs Corazon Aquino, the 52-year-old widow of assassinated opposition leader Mr Benigno Aquino.

Mr Laurel was chosen as Presidential candidate by his Unido party, in a national convention in June. Unido is the largest active opposition party and gained 56 out of 183 seats in the parliamentary elections last year.

Mr Laurel does not however enjoy support outside Unido and other opposition parties have said they would field their own candidates if he were chosen to fight against President Marcos, who has been in power for 20 years. This would greatly diminish the opposition's chances of winning.

Mrs Aquino is favoured by other opposition parties including her husband's party, the Liberals, the Filipino Democratic Party, the Nationalist Alliance and a sprinkling of smaller regional parties.

SEVEN political groups backing the candidacy of Mrs Corazon Aquino (right) formed a new coalition yesterday, raising the possibility of a three-way campaign, AP reports from Manila. The other two candidates would be President Ferdinand Marcos and Mr Salvador Laurel (left), an opposition leader, who has been nominated by his United Nationalist Democratic Organisation (Unido) party.

Although a reluctant candidate, she is widely viewed as a unifying factor with sufficient moral and political authority to lead the fight against Mr Marcos.

Although harbouring no ambitions to be President, she has said she would seek the office "if the people so decide." Her overwhelming desire is to see Mr Marcos, who she maintains was responsible for her husband's assassination at Manila airport in 1983, booted out of office.

When popular pressure built up for her to consider standing against him for president, the demure, American-educated widow put up two conditions.

One was that Mr Marcos calls an early election, and second, that 1m signatures endorse her candidacy.

The first condition has nearly been fulfilled, with the exact election date still subject to approval by the legislature. This is expected in two weeks and the signature gathering drive is likely to be completed by the end of the month.

Although politics run in her family, Mrs Aquino, who has not held public office, has little exposure to the political nitty-gritty. "My only experience in politics was the life I shared with Ninoy (her husband)," she admitted.

Her husband's political career started with the office of town mayor. He then became governor of the family's home province of Tarlac in north Philippines and then a senator.

Until his assassination, Mr Aquino was Mr Marcos's major political rival and was regarded as the probable winner of the 1973 presidential elections, had not Mr Marcos declared martial law in 1972 and extended his term of office.

Questioned once on what qualifications she would bring to the Presidency, Mrs Aquino replied: "I can call up people, get them to meet." That may be an understatement, for Mrs Aquino is certainly a leader in her own right. She is a director and in charge of finance of a fairly large family-owned business, which has extensive interests in sugar plantations and real estate.

If she does decide to run, Mrs Aquino would be the first Filipino woman ever to campaign for the Presidency. She has experience of electioneering with her husband in 1967, when he topped the poll for the Senate and many of his associates will still be available to help.

Although the Aquinos created a stir during that campaign by arriving in rural areas by helicopter, Mrs Aquino's style was simple: she merely shook hands, flashed a smile or gave out leaflets. Unlike Mr Marco's powerful wife Imelda, who normally sings duets with her husband at political rallies, Mrs Aquino does not perform on stage.

Her biggest asset may be the fact that she has consistently conducted herself well in public. She has yet to commit a blunder, which cannot be said of other Presidential contenders, including Mr Laurel.

Supporters say she has a "fresh and clean image," a plus factor in Philippine politics, where demagoguery and mudslinging are facts of life, and that her image could unite the opposition.

Mrs Aquino is aware that unity will be needed to beat Mr Marcos, "It appears," she said, "that with so many wanting change so much, all that is needed is a united opposition to lead the way, and a wholesome change should come about. The key is unity."

Despite existing personality differences within the opposition, untiy may not be impossible to achieve.

Mr Laurel's campaign manager, former Senator Rene Espina, believes that in spite of the rumblings it is only a matter of time before opposition parties close ranks behind a single Presidential candidate.

Without referring to Mrs Aquino, Mr Espina has made clear he would advise Mr Laurel to give way to another candidate who would have more chance of beating Mr Marcos.

The new chairman of the opposition coalition, former Senator Francisco Rodrigo who replaced Mrs Palma, is pursuing effort to unite opposition parties, but is unlikely to make any announcements until after the election date is finalised and Mr Marcos picks his Vice Presidential running mate.

Candidacies are formally filed with the Commission on Elections 45 days before the poll. Until then, determining the political picture, which could change overnight, will be anybody's guess.

Malaysia may boost oil output if price slumps

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA, which has announced a target of an 18 per cent increase in oil output to 510,000 barrels daily for 1986, to meet the shortfall in Government revenue from other export commodities, may well have to pump even more oil if the price falls below US$24 a barrel.

Tun Hussein Onn, former Malaysian Prime Minister, and adviser to Petronas, the national oil company, made the prediction when commenting on warnings by various leaders of the Organisation of Petroleum Exporting Countries (Opec), that the oil price could collapse next year unless Opec and non-Opec oil producers co-operate in restraining production.

The Malaysian Government, in its 1986 budget, has projected prices for Malaysia's low-sulphur oil at $26 a barrel and that receipts from oil and natural gas would account for a good 30 per cent of total government revenue of 22.1bn ringgit (£6.36bn).

Tun Hussein did not say how much more oil Petronas would be producing in the event of falling oil prices, but it is believed Malaysia can pump 600,000 b/d without difficulty.

He also confirmed that Datuk Rastam Hadi, Petronas managing director, would be leaving the organisation soon. Datuk

Papua New Guinea Premier ousted

By Michael Thompson-Noel in Sydney

MR MICHAEL SOMARE was ousted yesterday as Prime Minister of Papua New Guinea (PNG), when Mr Paias Wingti's opposition coalition parties grasped power on a no-confidence vote in the Port Moresby parliament.

Mr Somare had dominated PNG's turbulent political arena since the country gained independence from Australia in 1975, but ran foul of increasingly grave problems, including a bitter controversy over last week's tough budget aimed at bolstering PNG's ailing economy.

China warns Hong Kong over democratic reforms

BY DAVID DODWELL IN HONG KONG

XU JIATUN, Peking's most senior representative in Hong Kong, yesterday gave Britain's colonial administration its clearest warning yet that China is uneasy about the pace and direction of political reforms now taking place in the territory.

The warning comes after months of rumbling in Peking hinting that the Chinese Government was anything but happy about the democratic reforms now being introduced in Hong Kong. These involve indirect elections for a number of seats in the territory's Legislative Council, and talk of the eventual introduction of direct elections.

Only two weeks ago, Ji Pengfei, director of the Hong Kong and Macao Office in Peking, warned that Hong Kong could not be allowed to develop into an independent country, and must design a political system that sits comfortably with its "unique features and peculiar circumstances" as a special administrative region of China after 1997.

The broadside yesterday from Xu Jiatun—who is head of the New China News Agency in Hong Kong and China's most senior representative in the territory—reasserted at a briefing exclusively for the Chinese media that the future shape of Hong Kong's Government was a matter for China alone to decide.

Ericsson, Siemens in lead for Pakistan telecom contract

BY MOHAMED AFTAB AND JOHN ELLIOTT IN ISLAMABAD

ERICSSON of Sweden and Siemens of West Germany have emerged as the front-runners to win a major telecommunications contract in Pakistan which will spear-head a $1bn modernisation of the country's telephones.

They are on the short list along with Northern Telecom of Canada to set up a 100,000 lines-a-year digital telecommunications factory and to supply equipment, research and software facilities.

The size of the initial contract is likely to be around $50m. But the total value of the work could be as much as $200m, depending on what the government eventually decides to order.

Components worth $10m a year are likely to be bought by Pakistan from the successful company which is expected to take an equity stake of $10m-$30m in the factory project.

Sweden and West Germany are engaged in intensive political lobbying and Mr François Mitterrand, the French President, is believed to have intervened on behalf of CIT-Alcatel which was not included on the short list.

Ericsson's telephone technology is believed to be the favourite but Siemens already has a telephone factory near Islamabad, which could cut $4m off the project costs.

Substantial mixed credit packages have been assembled by the countries involved to cover most of the foreign financing costs and these will be a major factor in the award. This could help Siemens because West Germany is a major aid donor to Pakistan.

No British company has tendered, mainly because no funds were available from the UK's annual £26m aid allocation for Pakistan.

But Plessey of the UK is modernising the telex exchange in the eastern city of Lahore on an aid-backed £1.3m contract and is also tendering for fibre optics transmission lines to link Lahore to Karachi in the south.

These projects form part of the country's $1bn planned five-year investment in telephone modernisation.

This includes $870m to be spent on 37 projects for which the World Bank is lending $100m from its International Bank for Reconstruction and Development plus another $20m special loan to encourage lending from commercial banks.

INDONESIAN PROJECTS OPPORTUNITY

UK bidders' plea for financing help

BY KIERAN COOKE IN JAKARTA

"THE LAST THING we want is another Bosphorus Bridge disaster" said the British official, referring to the loss by British contractors of a multi million dollar project mainly because the Japanese came up with a more attractive financial package.

In Indonesia, there are fears that the same thing could happen. For, despite economic difficulties caused by falling revenues from oil exports, which account for more than 60 per cent of foreign exchange earnings, Indonesia is determined to push ahead with a number of ambitious development projects.

One of the biggest projects receiving priority is the reorganisation of the country's railways—an area of acknowledged British expertise. Of immediate interest is a scheme to expand the railway-network round Jakarta, at an estimated total cost exceeding $1bn.

The scheme involves a rail network linking the so-called Jabotabek area, named after the four cities it will encompass—Jakarta, Bogor, Tangerang and Bekasi. By the end of the century the Jabotabek area will be turned into a megalopolis spread over 7,500 sq kms, with a total population of sor\? 25m.

Work has already begun on two railway lines in the area—a consortium of Japanese companies is involved in preliminary construction work on a central line while a similar French consortium is working on a western section.

British interest is focused on the eastern section, the most extensive and, at an estimated cost of between $500m and $800m, potentially the single most lucrative railway contract in the world. The Overseas Development Agency (ODA) gave a £1m grant for a feasibility study on the eastern sector of the project last year.

Foster Wheeler, L. H. Manderstam and consultant bankers Samuel Montagu have now finished the study and have forwarded it to the Indonesian Government, through the ODA. Mr Michael Ward, a director of Samuel Montagu, says British companies are very well placed to win considerable amounts of work on the project, but there must be substantial Government financial backing.

"We lost on most of the metro in Singapore, we can't afford to lose here," says Mr Ward. Work on the Jabotabek eastern line would last at least until 1994: there would also be considerable follow up work and equipment supply. But Indonesia has tended to be largely ignored by British companies and, say the critics, by the British Government.

Britain's trade with Indonesia is well below that of other EEC countries. Britain is also well down on the list of aid donors to Indonesia. Despite this, Indonesia seems keen to give business to Britain, especially after a trip to Jakarta in April by Mrs Margaret Thatcher, the Prime Minister.

British companies like Balfour Beatty have already won substantial engineering and construction contracts, and military sales to Indonesia have increased dramatically in the past year. Further substantial sales of military equipment are expected shortly.

But on the Jabotabek scheme, and on other future projects, it has been made clear that concessionary finance must be forthcoming. In line with an Indonesian Government policy announcement last year, mixed credit funding has been sharply curtailed.

The new formula necessary for winning contracts in Indonesia involves soft loan finance—stretched over 25 years at 3½ per cent, with a seven-year grace period. In addition, the loan should be in the national currency of the country concerned.

"We are very much in favour here now," said an anxious British businessman. "It's the exact opposite of Malaysia's former 'buy British last' policy. But we have to have financial backing."

Canada to end shoe import curb despite makers' protests

BY BERNARD SIMON IN TORONTO

CANADA is to lift quotas on shoe imports despite strong objections from local footwear manufacturers.

The curbs, initially imposed in 1977, will be abolished on December 1 with the important exception of quotas on women's and girls shoes. These quotas will be dismantled over the next three years. Women's and girls' shoes made up about 35 per cent of last year's imports of 52.9m pairs.

The total value of shoe imports to Canada was about C$460m (£242m) last year, compared with C$405m in 1983.

The Government's decision is in line with recommendations earlier this year by the Canadia nImport Tribunal which concluded that evidence did not support the local industry's view that its financial position remains fragile and its survival threatened by significantly higher imports.

Mr James Kelleher, International Trade Minister, said that maintaining the quotas "can have the effect of isolating the industries they were meant to protect, of making them less able rather than more able to stand on their own."

Domestic shoe makers will continue to be protected by a 23 per cent duty, among the highest of Canada's customs tariffs.

Mr Kelleher said that the surge in imports expected to follow the lifting of quotas should level off by mid-1987. The main foreign suppliers of shoes to Canada last year were Taiwan (33 per cent), South Korea (21 per cent) and Italy (11 per cent).

The major imoprt sources for women's and girls' footwear are Taiwan, Italy and Brazil. Domestic shoe production totalled 40.7m pairs last year.

Paul Cheeseright adds from Brussels: The European Community responded sharply to the Canadian measure, noting that the Canadian industry was already protected by a 23 per cent tariff. The Community tariff is 8 per cent.

Negotiators from the Commission will start talks in Geneva with Canada in an effort to negotiate compensation for the safeguard measure. If those talks break down, then the Community will impose restraints on Canadian exports to the EEC of equivalent value. A list of products has already been prepared.

Europe 'should lift curbs on telecommunications'

BY JOHN DAVIES IN FRANKFURT

EUROPEAN governments should remove the barriers blocking the way to a genuine common market in the telecommunications business, according to Mr John Butcher, Parliamentary Under-Secretary of State in the UK Department of Trade and Industry.

He said yesterday that increasing liberalisation was inevitable in European telecommunications, but in some countries there was still too little sign of "political will" to help the process along.

Mr Butcher, speaking at a European telecommunications conference in Frankfurt organised by Dataquest, the US-based information group, said that European companies were beginning to co-operate to keep down the high cost of telecommunications development.

But hopes raised by such moves for industrial co-operation would be killed if European governments and telecommunications agencies failed to promote liberalised markets.

Mr Butcher said European countries must press ahead with efforts to set common standards, allowing genuine inter-working between telecommunications equipment from different suppliers.

Governments should remove artificial barriers which had been erected in the form of "nationalistic procurement policies" and tight approvals procedures.

One of Mr Butcher's targets is the West German Bundespost, which has at times been criticised, especially abroad, for clinging to a monopolistic and cautious approach to telecommunications.

Mr Ronald Dingeldey, a senior Bundespost official, told the conference that the Bundespost's exclusive right to set up and operate telecommunication networks was not being seriously contested in current debate in West Germany.

The "political will" to introduce liberalisation would become clearer after an expert commission finished its present inquiries and submitted a report in 1987, he said.

Mr Michel Carpentier, a senior official of the European Commission in Brussels, said that Europe must have a strong position in world telecommunications if it was to become an equal partner—rather than a subsidiary—of IBM and AT & T of the US and of "Japan Incorporated."

He said it was worrying that European companies had negotiated or discussed 17 arrangements with US or Japanese companies in the past six months while there were only seven similar moves for co-operation within Western Europe.

The EEC Commission did not object to close co-operation with the US and Japan, but this should be based on a strong European position, which could be boosted by joint ventures within the European industry and co-operation between telecommunications authorities.

China's trade deficit with Japan grows

By Robert Thomson in Peking

CHINA'S trade deficit with Japan has continued to grow, reaching an estimated $4bn (£2.8bn) in the first nine months of this year, putting ever increasing pressure on trade relations between the two countries.

Senior Chinese officials, from the leader, Deng Xiaoping, to a selection of Government ministers, have urged Japan to right the trade imbalance or face a cut in Chinese imports of Japanese products.

Gu Mu, a State Councillor instrumental in developing the "open door" policy, said yesterday that Japan should take "positive measures" to ease the deficit, which was $2.84bn in the first half.

● Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries will supply parts worth about $500m to Boeing of the US, Reuters reports from Tokyo. The parts include flaps, ailerons and spoilers for Boeing 747 jumbo jets.

Alsthom wins FFr 1bn Algeria power order

By Francis Ghilès

ALSTHOM, the major French heavy electrical and shipbuilding group, has won a contract worth FFr 1bn (£84m) from the Algerian power utility Sonelgaz to build two gas turbine power stations.

The plants will be located near Tiaret and M'Sila in the Hauts Plateaux region and be capable of producing 300 megawatts each.

This contract is one of the few to have been handed out by Algeria during the past six months.

Despite the slowdown in new orders, French companies will have another good year in Algeria and trade between the two countries is expected to be roughly balanced.

Last year it reached FFr 50bn double the 1981 figure, France chalking up a FFr 1bn deficit.

Algerian imports have been cut by at least 10 per cent this year, to an estimated Dinars 45bn-46bn as the authorities are taking no chances in the face of soft oil and gas prices.

Thatcher pledges strong action over City fraud

BY PETER RIDDELL, POLITICAL EDITOR

FINANCIAL FRAUD must be pursued "vigorously and effectively, not least to protect London's reputation as an international financial centre," Mrs Margaret Thatcher, the Prime Minister, promised yesterday.

She was replying to a letter from Sir Nicholas Goodison, chairman of the London Stock Exchange, in which he had urged the Government to adopt a more urgent and energetic line against wrongdoers who imperilled the good name of the City.

Mrs Thatcher's strong line reflects the concern of ministers about recent problems in the City, ranging from the tin crisis to allegations of fraud in the Lloyd's insurance market and the Johnson Matthey Bankers affair, as well as the debate over deregulation of the securities industry.

Department of Trade and Industry ministers have been taking a particularly close interest in Lloyd's even before the resignation of Mr Ian Hay Davison as chief executive, which was announced earlier this month.

Mr Hay Davison and Mr Peter Miller, the Lloyd's chairman, have apparently been warned by the Government of the need for Lloyd's publicly to be seen to be putting its house in order before the forthcoming Financial Services Bill on the regulation of financial markets is considered by the House of Commons early next year. Otherwise, they were told, there would be strong political pressure for Lloyd's to be included in the bill.

City issues are, unusually, being increasingly raised at Westminster with pressure from Tory as well as opposition MPs for a toughening of the bill. The Labour Party has initiated a debate on the workings of the City within the next few weeks.

Lord (Charles) Williams, the recently ennobled Labour peer and banker, will raise the tin crisis on the floor of the House of Lords on Monday. Mr Leon Brittan, the Trade and Industry Secretary, is also due to answer a question about a Government inquiry into the crisis.

Mrs Thatcher says the Government is looking forward to receiving the recommendations on possible improvements in the law and procedure governing complex fraud trials from a committee under Lord Roskill, which is due to report early next year.

The Government is coming under further pressure to explain the role of the Bank of England in the events leading up to and after the collapse of Johnson Matthey Bankers. Mr Brian Sedgemore, the Labour MP who has been raising the affair in the Commons, is awaiting a reply from the Treasury to 31 questions on one aspect of the bank's affairs.

Liverpool budget crisis deepens

FINANCIAL TIMES REPORTERS

LIVERPOOL'S labour-controlled city council yesterday failed to meet the deadline for submitting plans to the Association of Metropolitan Authorities (AMA) to end the city's financial crisis.

After an hour-long meeting in London with Liverpool councillors, the AMA said that it would take no further steps to help them until they placed firm proposals on the table.

The AMA's decision means that Liverpool will probably be denied the £3m offered in the form of unused borrowing rights by the AMA's member councils.

That offer is conditional on Liverpool agreeing to remove the £75m deficit in its 1985-86 budget by adopting measures such as an increase in rates (property taxes), or a rent rise

Liverpool incurred the deficit after voting in June not to increase rates fully to compensate for reductions in government grants imposed as a penalty for overspending.

The city council's failure to produce proposals to balance the budget leaves it facing a progressive shutdown of services next week. The last pay packets went out yesterday to the manual workers among its 31,000 employees.

Schools are expected to close because of shortages of supplies such as heating oil. Action by some of the 9,000 members of the General, Municipal and Boilermakers' Union employed by the council may halt services such as refuse collection, if they follow a recommendation from local union officials to consider themselves laid off.

It is unprecedented for a UK city to become insolvent and the likely effects are difficult to predict.

The main question, if there is no change of policy by the Liverpool leadership, is whether services would be allowed to deteriorate to the point where the Government would have to introduce emergency measures and send in commissioners to run the city.

Defence bid disparity 'dismayed' Plessey

By Bridget Bloom, Defence Correspondent

PLESSEY, the UK electronics group, has denied responsibility for Britain's failure to win the largest US Army contract ever opened for foreign competition.

In its first public statement since the award of the $4.3bn contract for army communications on November 5, Plessey said that it shared the British Government's "dismay" at the "enormous disparity" between the $4.3bn winning bid from a US-French consortium and the $7.4bn bid with which it was involved.

The successful bid for the supply of a new battlefield communications system for 25 divisions of the US Army came from the US company GTE leading Thomson CSF, the French manufacturer of the Rita communications system.

Plessey's prime contractor was the Collins division of Rockwell which offered Plessey's Ptarmigan system. Plessey's statement said it believed that the company's own contribution to the bid – amounting to about 20 per cent by value of the whole contract – was competitive.

"Even if the UK had provided the Ptarmigan-based content of the Rockwell bid free of charge, Rockwell would still have exceeded the GTE bid price by a very wide margin." It believed that the British Army, which is spending about £700m on Ptarmigan, was getting a highly cost-effective system.

Plessey admitted that it was 'unaware of the final scale of the Rockwell price as calculated by the US Army' before the contract award was made and it remained in ignorance of the detailed bid today.

National institute's economic review

Inflation expected to fall sharply

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A SHARP DROP in UK inflation, perhaps to below 3 per cent in the middle of next year, but slower growth in the economy are the key elements in the latest quarterly forecast by the independent National Institute of Economic and Social Research.

The institute's economic review presents a mixed picture of the outlook for Britain's economy over the next few years. But it is significantly more optimistic on a number of points than at the time of its last forecast in August.

It says that it now expects growth of 1.9 per cent next year. The rise in the retail price index in 1986 should average 3 per cent, down from 5.5 per cent this year.

The growth forecast is well below the 3 per cent anticipated by the Government – partly because the institute has made no allowance for possible tax cuts next spring – but it is up from the 1.4 per cent forecast in the August review.

The latest forecast is slightly more optimistic on the outlook for the official unemployment total, which it says may stabilise or even fall slightly in response to the expansion of job creation schemes. But the number of people out of work is expected to remain above 3m in the run-up to the next general election.

The institute's medium-term projections are that as North Sea oil output levels off and then begins to fall, the pace of overall economic growth is likely to slow.

It expects the annual rate of growth to average perhaps 1.2 per cent in the three years from 1987 to 1990, while the balance of payments is likely to move from substantial surplus into deficit.

The review backs the conclusion of the recent report from the House of Lords' committee on overseas trade on the central importance over the next few years of a significant revival of Britain's manufacturing sector.

"Any future which holds out the prospect of rising prosperity for the economy as a whole and a move back to full employment must include a reversal of the decline in manufacturing industry," it says. "The need is for a technically sophisticated, high productivity sector competing successfully in world markets."

For 1986, the institute shares the Treasury's view that a surge in consumer spending generated by buoyant earnings and falling investment will provide the main impetus to growth.

Real, or inflation-adjusted, disposable income should rise by between 3½ and 4 per cent even without tax cuts, leading to a rise of perhaps 3 per cent in the volume of consumer spending.

Exports and investment growth will slow sharply. The institute says that the rise in the value of sterling since the beginning of the year means that much of the competitive gain made over the past four years has been lost.

The impact so far has been muted but will be much stronger in 1986. Exports are expected to rise by only 2 per cent in volume terms next year compared with the 6 to 7 per cent anticipated for 1985.

Manufactured exports could pick up again in 1987, but the impact on overall sales abroad is likely to be offset by the start of a declining trend in oil exports.

The review is also fairly gloomy on investment prospects. The pattern of business investment has been affected by the tax changes announced in the 1984 budget, which has encouraged companies to bring forward capital spending.

Next year investment by manufacturing industry is expected to rise by only about 1.5 per cent after increasing by 10 per cent in 1985. Capital spending by the distribution and business services sector is forecast to rise by between 3 and 4 per cent in 1986, compared with the 11 per cent expected for this year.

The institute says that the overall pattern of growth is likely to favour services rather than manufacturing, so that while overall output is forecast to rise by 2 per cent manufacturing production may increase by only 1 to 1½ per cent.

The institute's optimism on inflation is based on its expectation that the sharp fall in import costs seen this year will soon feed through to retail prices.

Earnings are expected to remain buoyant in 1986, suggesting that the pace of growth of unit labour costs will accelerate. In 1987 wage demands are likely to respond to lower inflation, bringing a corresponding fall in the growth of unit costs.

The institute says that it expects the current account of the balance of payments to remain in surplus next year despite the combination of sluggish exports and faster growth of imports. The surplus is forecast at £2.3bn in 1986 compared with £3.2bn this year, but the review then anticipates a small deficit of £300m in 1987.

The institute, in its review of the outlook for the world economy, forecasts that the growth of output in the industrialised world will fall only slightly next year from the 2.8 per cent expected in 1985.

The overall projection of 2.6 per cent growth includes rather sharper falls in the pace of economic expansion in Japan, Canada and the UK, it says.

The US economy is forecast to grow by about 2.5 per cent both this year and next, while West Germany's growth rate is seen rising from just over 2 per cent this year to nearly 3 per cent in 1986.

The institute says that world inflation prospects remain good because of depressed international commodity prices, although some of the benefit for retail prices may be offset by an upward trend in unit labour costs in most industrialised countries.

FORECAST FOR THE WORLD ECONOMY

	Percentage annual rate of change			
	1967-73	1973-84	1984-87	1987-90
OECD countries				
GDP	4.9	2.3	2.7	3
Consumer prices	5.4	9.2	4.5	4
Prices (US$)				
Exports of manufactures	6½	5½-6	7½	5
OPEC oil		24½	−1	4½-5
Other commodity exports from developing countries	11	3-3½	1-1½	4½-5
Volume of world trade				
All goods	10	3-3½	4	4-4½
Manufactures	11	4½-5	5-5½	5-5½

UK ECONOMIC OUTLOOK

	Real GDP (a)	Manufacturing output (b)	Real personal disposable income (b)	Unemployment (c)	Consumer price index (d)	Retail price index (d)	Current balance (e)	PSBR (f)
1984	3.0	4.0	2.1	3.10	5.1	4.8	0.9	10.5
1985	3.5	1.9	2.8	3.18	4.8	5.5	3.2	8.4
1986	1.9	1.2	3.8	3.05	3.4	3.0	2.3	8.0
1987	1.1	2.1	1.6	3.00	3.9	3.5	−0.3	8.1

(a) Output measure percentage change, year on year
(b) Percentage change, year on year
(c) UK wholly unemployed (excluding school-leavers), fourth quarter, million
(d) Percentage change, fourth quarter on fourth quarter
(e) Year, £bn
(f) Fiscal year, £bn

Economic policy seen to have moved closer to West German

BY MICHAEL PROWSE

THE THATCHER Government's dogmatic monetarism of 1979-80 has evolved into an almost "Germanic" style of economic management, the national institute argues in an article comparing macro-economic policy in West Germany and the UK.

The present UK strategy, the institute suggests, is remarkably similar to the policies that have been pursued in West Germany since the 1950s. That is true both of the new macro-economic emphasis on "sound finance" and the increased reliance on market forces.

British economic policy, the report argues, has increasingly resembled the German model as it has become more pragmatic. The lesson to be learnt from West Germany, it suggests, is that "financial rectitude and minimal government work best without any superstructure of economic theology."

West Germany, the report points out, does not seem to have been impressed by the UK Government's medium-term financial strategy. The German habit, argues the institute, of setting a realistic monetary target just one year ahead is preferable to the British procedure of setting a whole string of targets for five years and then missing the first by a large margin.

The report accepts that it is too early to judge how successful a Germanic economic policy would be in Britain in the longer term. But it hints that more explicit management of aggregate demand coupled with more micro-economic interventions might be appropriate in the UK.

The institute also points out that although Germanic policies have been outstandingly good at controlling inflation, they have been less successful in sustaining rapid growth and high employment.

Thus, between 1960 and 1985 West German inflation averaged only 3.9 per cent, compared with an OECD average of 6.3 per cent. But German growth, averaging only 3.2 per cent a year, was below the international norm of 3.7 per cent.

COMPARISON OF WEST GERMAN AND OECD PERFORMANCE

	GDP		Annual percentage rise Consumer prices	
	West Germany	OECD	West Germany	OECD
1960-68	4.2	5.1	2.7	2.9
1968-73	4.9	4.8	4.6	5.6
1973-79	2.4	2.7	4.7	10.0
1979-85*	1.2	2.0	4.1	7.6
1960-85*	3.2	3.7	3.9	6.3

* Estimates

Manufacturing revival is urged

BY OUR ECONOMICS STAFF

THE REVITALISATION of manufacturing industry is of "paramount importance," says the institute. The continuation of "de-industrialisation," it argues, would pose a considerable threat to the balance of payments once oil revenues start to decline.

An article analysing trends in industrial and service sectors says that there is a need for urgent change in the face of the growing trade deficit in manufactured goods.

The institute says that energy exports, which yielded £5bn–£6bn in 1983-84, may be very seriously reduced by the end of the decade. The task of filling the gap faced by manufacturers appears enormous, even allowing for a modest contribution from services.

The institute points out that manufacturing output fell by 17 per cent between 1974 and 1981 and that the recovery since then has been slight. The principal reason for the decline, it argues, has been the weak competitive position of manufacturers in both domestic and export markets. The report stresses that a substantial rise in import penetration in the past 10 years has not been matched by rising exports.

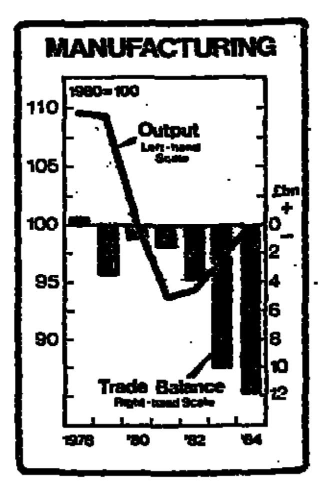
Although the institute puts the case for a revitalisation of manufacturing, its forecasts do not suggest a substantial recovery is likely. By 1990 it expects the share of manufacturing in gross domestic product (GDP) to have fallen to 24.5 per cent, compared with 26.6 per cent in 1980. Over the next few years, service sectors are forecast to grow 50 per cent faster than manufacturing.

The report draws attention to the very narrow base of the upturn in the present economic cycle. Within manufacturing in the past five years only three out of 15 large sectors have contributed positively to GDP. Virtually all the growth was accounted for by electrical and electronics companies, although food and chemicals also made marginal contributions.

Most of the increase in total output since 1980 has reflected the expansion of service sectors. Even there the base of the upturn has been surprisingly narrow.

Most of the growth has been in the financial and business services and communications sectors, which grew by 30 per cent and 15 per cent respectively between 1980 and 1984. In contrast, traditional service industries such as catering, distribution and transport, have grown sluggishly.

Overall growth of the service economy has also been subdued by tight restrictions on the public sector.

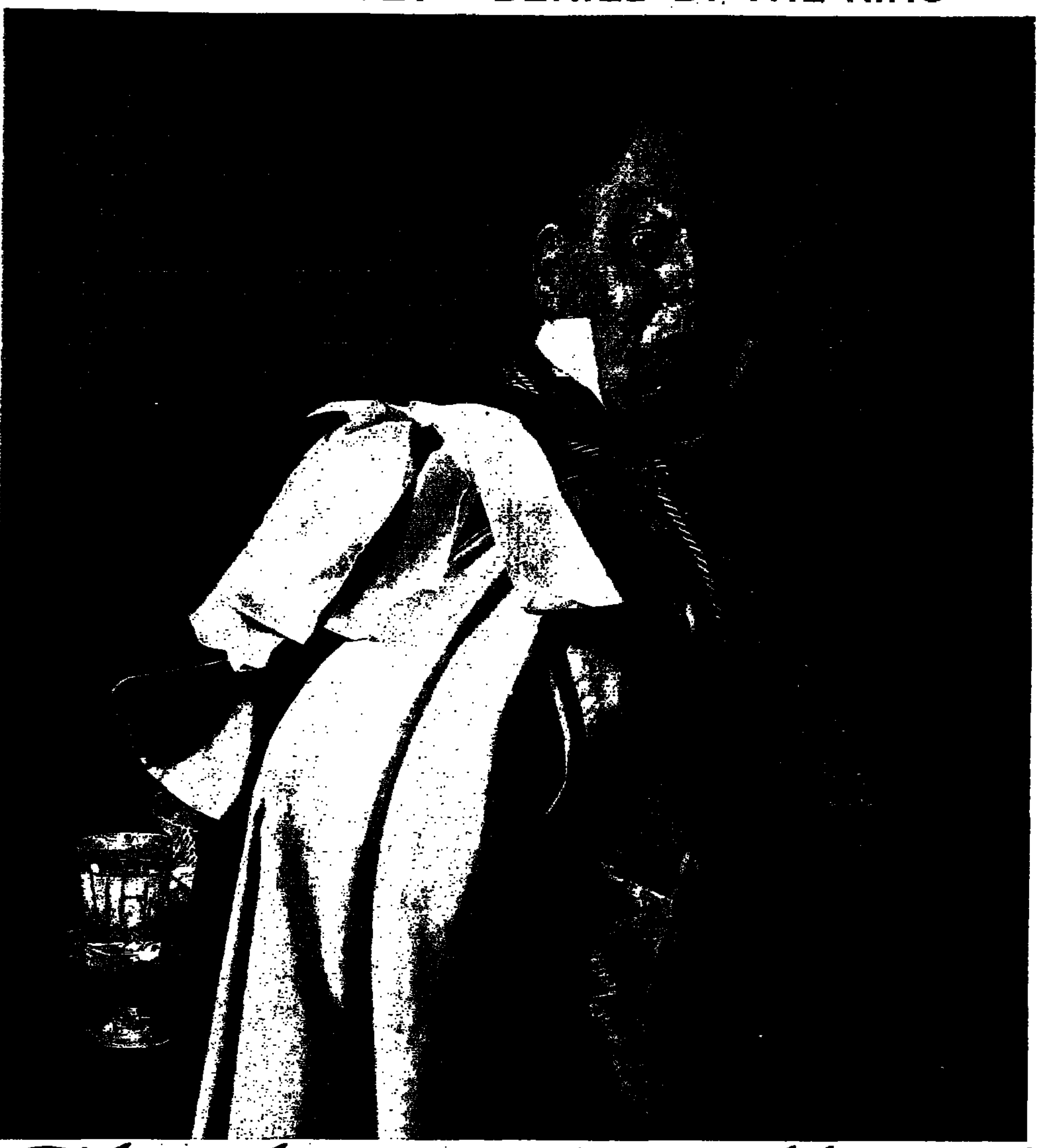


The institute expects the service economy to grow by about 4 per cent in 1986 – about the same rate as in 1985. It warns that growth may slow to little more than 2 per cent later in the decade. The rapid growth of financial and business services will not be maintained.

Manufacturing output is forecast to grow by 1½ per cent a year or less over the next five years.

National Institute Economic Review, No 114, November 1985. Annual subscription £45 (UK) and £60 (abroad), single issue £12.50 (UK) and $18 (abroad) from National Institute of Economic and Social Research, 2 Dean Trench Street, London SW1P 3HE.

THE GLENLIVET — DENIED BY THE KING



"Glenlivet Distillery? What Glenlivet Distillery?"

In the early 1800's, denying the existence of distilleries was a national Scottish pastime.

Oh, they were there, alright.

But all strictly illegal. You see, savage taxes imposed by the Philistines of Westminster made distilling the national beverage well nigh impossible.

Tax evasion became the only honourable course. The canny Highlanders took to the hills and the glens.

A whole industry flourished. But it was completely underground. Excisemen, or gaugers, marched North, with orders to stamp it out.

The Artful Dodgers.

But it proved a hopeless task. All measures to deter the distillers were met with ridicule.

Even a £5 reward for the discovery of a distilling pipe (or copper "worm") did nothing to halt the flow of whisky. In fact it was a boon for the whisky makers.

When a "worm" was worn out, the distiller would miraculously "find" it, hand it over to the authorities, claim his reward and promptly purchase a new one!

Such was the Highlanders' contempt for the law that it was not even considered a disgrace to be imprisoned for illicit distilling.

Indeed, in Dingwall Gaol offenders were treated in the mildest possible way, even allowed out on Sundays and special occasions and "honourably returned."

One prisoner even approached the governor with the remarkable proposition that they set up a still together in the gaol!

But out of this lawlessness came greatness. The illicit dram was magnificent.

The Reverend Thomas Guthrie was a boy in 1818 and he recalled that "everybody, with few exceptions, drank what was in reality illicit whisky — far superior to that made under the eye of the Excise — lords, lairds, members of Parliament and ministers of the gospel and everybody else."

And the finest dram of them all was The Glenlivet.

The Sassenach Connection.

The Glenlivet distillery was started by one John Gow Alias Smith.

Bit of a mystery, John Gow. Indeed he had very little option.

Having fought and lost with Bonnie Prince Charlie, he had to flee with his family in 1746 to the remote glen of the river Livet.

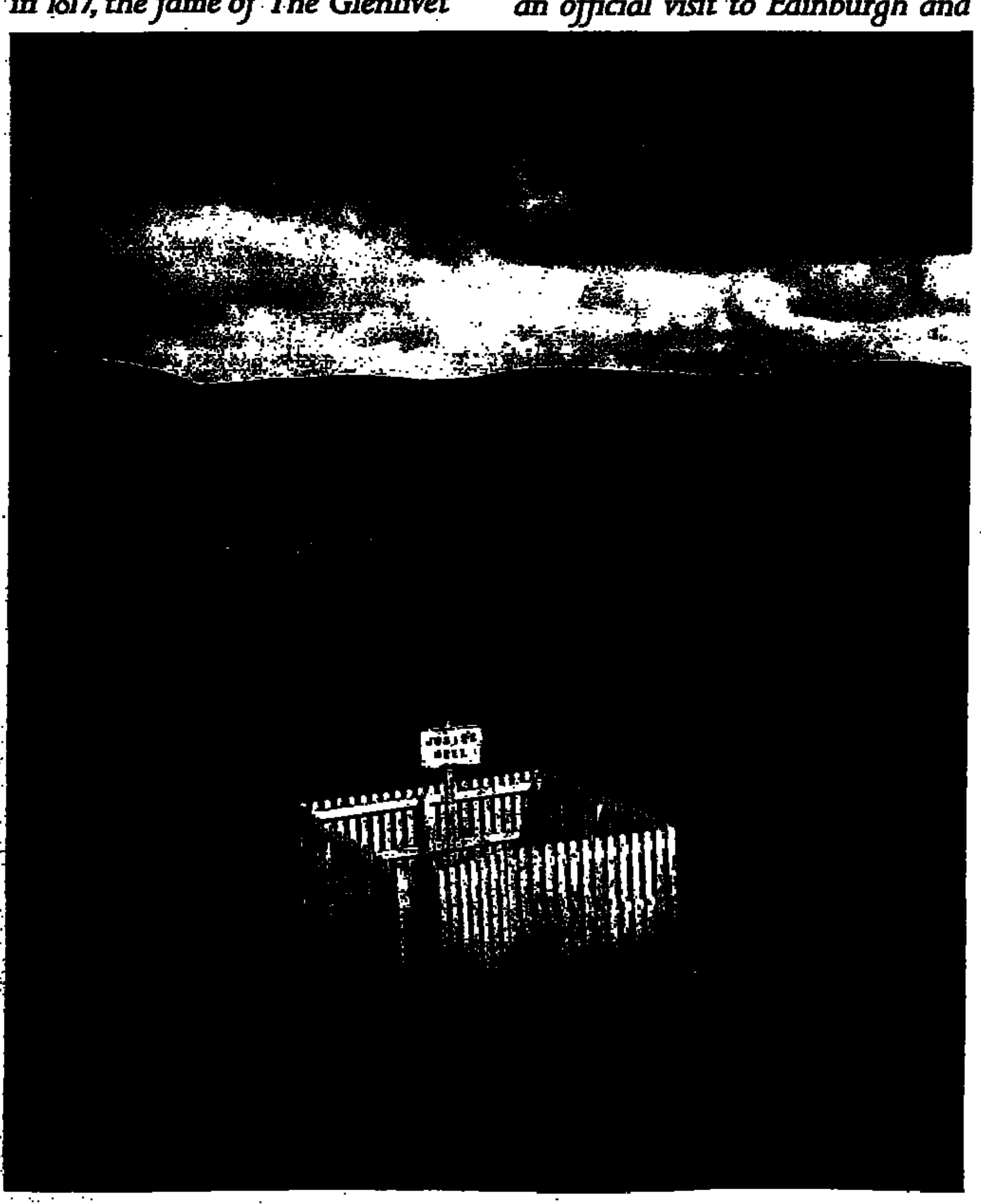
And to baffle the English soldiers, he changed his name from the gaelic Gow to Smith.

This is why such a Sassenach name as Smith appears on the bottle of Scotland's most venerated whisky.

There in the glen John Smith, ex-Gow, settled in the precise spot where the water and the peat were the best in all Scotland for making malt whisky. This mysterious man had stumbled upon a mysterious well. Josie's Well.

It's the water from this well that makes The Glenlivet magical. We can't tell you why. There is no explanation. And there is no other well that performs the same magic.

By the time John Smith's grandson George inherited the still in 1817, the fame of The Glenlivet had spread far and wide.

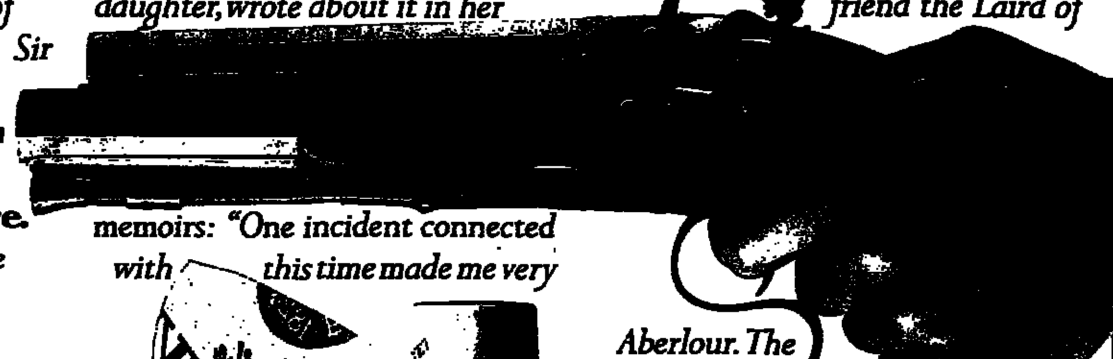


"It is worth all the wines of France" opined the Doctor in Sir Walter Scott's St. Ronan's Well, "and more cordial to the system besides."

His Majesty's Pleasure.

The Glenlivet that George Smith made even flowed in the corridors of power.

In 1822 King George IV paid an official visit to Edinburgh and Elizabeth Grant, an MP's daughter, wrote about it in her memoirs: "One incident connected with this time made me very cross. Lord Coryingham, the Chamberlain, was looking everywhere for the pure Glenlivet whisky: the King drank nothing else.



My father sent word to me — I was the cellarer — to empty my pet bin, where whisky was long in the wood, mild as milk and the true contraband goût in it."

Such a princely potion couldn't stay illegal much longer. It was unthinkable that the King should ever have to deny that his greatest pleasure didn't actually exist!

Luckily, back at the House of Lords, commonsense was about to break out, under the influence of George Smith's landlord, the Duke of Richmond and Gordon.

In 1823, their Lordships passed an act which made distilling a commercial proposition.

And the first man to take out a licence was our own George Smith.

Plain sailing from then on you'd think. Nothing of the sort.

The neighbours' burning desire.

Although George had decided to go legal, his neighbours in the glen would have none of it. They regarded him as a traitor.

"The outlook was an ugly one," wrote George. "I was warned by my civil neighbours that they meant to burn the new distillery to the ground and me in the heart of it."

Such threats in the wild remoteness of Glenlivet were not idle. So for his protection, George was presented with a pair of hair trigger pistols, worth ten guineas, a gift from his friend the Laird of Aberlour. The pistols (which still exist today) were "never out of my belt for years.

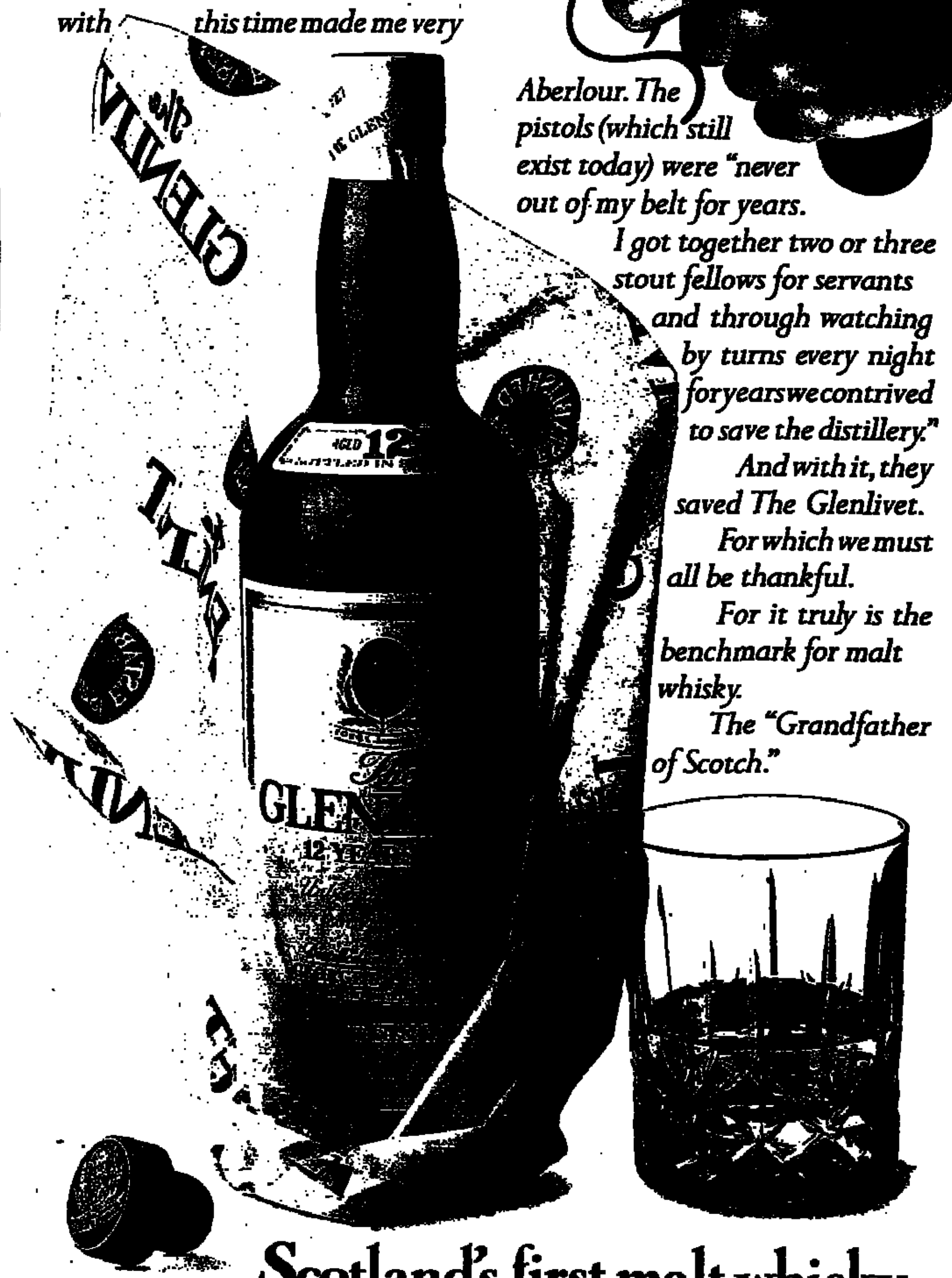
I got together two or three stout fellows for servants and through watching by turns every night for years we contrived to save the distillery."

And with it, they saved The Glenlivet.

For which we must all be thankful.

For it truly is the benchmark for malt whisky.

The "Grandfather of Scotch."



Scotland's first malt whisky.

UK NEWS

New York OTC link for City brokers

By John Moore, City Correspondent

LAING & CRUICKSHANK, the British stockbroker, has forged a link with Herzog Heine Geduld, one of the largest US market-makers in over-the-counter securities.

In the deal, announced yesterday, a correspondent relationship has been established between the two securities operations. It is intended that Laing & Cruickshank will be developing orders in over-the-counter securities for execution by Herzog in New York.

Herzog Heine Geduld is a member of the New York Stock Exchange and other exchanges. It makes markets in over 3,500 over-the-counter securities and is a primary market-maker specialising in initial and secondary public offerings.

Mr John Herzog, president of the New York firm, said yesterday: "We have observed the changes in London and the UK and European interest in Nasdaq and over-the-counter stocks in the US." He said that less than 1 per cent of his firm's trading volume a day was accounted for by European trading. His firm aimed to be trading 5,000 securities a day on the over-the-counter market with combined orders from London and New York.

Mr Richard Morris, director of Laing & Cruickshank said: "We believe we can begin to stimulate a growing awareness of American over-the-counter companies with our institutional investment and retail clients. Through our British and European contacts we expect to become Herzog Heine Geduld's eyes and ears in Europe."

Laing & Cruickshank is merging with Mercantile House, the financial conglomerate which owns Oppenheimer, the US investment bank. Mr Morris said that Oppenheimer traded in around 200 stocks on the over-the counter market.

"They are aware of our relationship with Herzog. Herzog is providing a completely different service in a wider range of stocks," he said. Both sides emphasised that there was no intention to merge.

Abbey chief attacks 'regressive' mood in building societies

BY CLIVE WOLMAN

MR PETER BIRCH, chief executive of Abbey National Building Society, has made a strong attack on his fellow building-society managers. In an interview this week, he accused them of being "incredibly regressive" in seeking to preserve their lack of accountability in the new building societies legislation – and of occupying too much space in town centres with unnecessary offices.

He also claimed that the Government was paying "far too much attention" to the Building Societies' Association (BSA), the industry trade body, in drawing up the new, liberalising legislation, which is due to be presented to Parliament within the next two weeks. In what is the first split over the legislation, Mr Birch said that Abbey National had decided to employ its own professional lobbyists to present its case to Parliament independently of the BSA. "We do not want the BSA representing our views on anything," he said.

Most building society managers did not want change, he said. In an "incredibly regressive" industry, the small societies were happy to remain small. Their managers had well paid, cosy positions and were not accountable to anyone.

Mr Birch complained that although the 10 largest societies, including Abbey National, the second, held two thirds of the industry's assets, they were easily outvoted on the BSA council by the 170 or so smaller societies.

The proposed legislation is criticised by Abbey for making it too difficult for a society to convert to a public limited company. The requirement that such a move be approved by 75 per cent of voting investors and 50 per cent of borrowers is particularly onerous, Abbey says. It adds that managers, unconstrained by accountability to investors, will continue to wield a veto to stop such conversions or mergers with other societies.

Abbey is also opposing the limitation that societies may deploy only 5 per cent of their assets for purposes such as unsecured lending, house building, estate agency and activities in other EEC countries.

"How can we compete effectively with the banks when our hands are tied behind our backs?" Mr Birch said. He claimed that the BSA had failed to press for higher limits because small societies wished to restrain the more innovative ones that could gain a competitive edge by offering additional services.

Abby National was considering whether it should convert to a stock-market-listed company by about mid-1987 under the terms of the new legislation.

Horizon seeks to buy BCal tour concerns

BY ARTHUR SANDLES

HORIZON, Britain's third-largest tour operating group, is negotiating with British Caledonian (BCal) for the acquisition of the airline's Blue Sky and Arrowsmith tour operating activities.

Both groups have been under considerable pressure in recent months as the price war between market leaders Thomson and Intasun has intensified. Horizon's objectives are to increase its group carryings and, thus, its buying power. It would also substantially reduce its overheads per booking.

The total group carryings of Thomson next year will be well in excess of 2m. Horizon's current plans would take it to around 800,000, but the addition of the BCal short-haul tour activities could add at least 300,000 to that.

Although neither side was prepared to go into detail last night, apart from confirming that talks were in progress, it is unlikely that BCal's other tour company, Jetsave, would be included in the deal. This company deals in long-haul holidays on scheduled airline services. It is therefore a useful selling vehicle for BCal's mainline business.

● Fuel price rises imposed by the major oil companies in some areas of the world have forced British Caledonian to seek an increase in UK domestic air fares.

Unionists' court plea rejected by judge

THE ATTEMPT by leading Ulster Unionists to challenge last week's Anglo-Irish accord on Northern Ireland will be renewed at a public hearing in the High Court in London next week, Raymond Hughes writes.

Yesterday the court announced that the Unionists' initial application for leave to seek judicial review of aspects of the accord had been rejected by a judge.

Documents supporting the application had been studied overnight by Mr Justice Mann, "who has decided to refuse the application," a court official said.

He said that solicitors for the Unionists – Sir George Clarke and Mrs Hazel Bradford, respectively president and chairman of the Ulster Unionist Council; Mr James Molyneaux, MP, leader of the Ulster Unionist Party; and Miss June Turner, chairman of the Ulster Young Unionists – had indicated that they would be renewing the application in open court next week.

□ MPs rejected by a margin of 12 votes proposals for the experimental televising of proceedings in the House of Commons. Mrs Margaret Thatcher, Prime Minister, and nearly half of her Cabinet voted against the motion, which was lost by 275 votes to 263.

□ EDGLEY AIRCRAFT, the Salisbury-based maker of the Optica observation aircraft which recently went into receivership, may be rescued by a Wiltshire businessman with aviation interests. Mr Alan Haikney, chairman of Aero Docks, which supplies maintenance staging for aircraft, is negotiating the purchase of Edgley from the receiver.

□ FIRST PENNSYLVANIA Bank is to close its London branch in February. Its departure brings to four the number of US regional banks that have decided to leave London this year.

□ UK NIREX, a nuclear company, has been set up to process and dispose of radioactive wastes. It is based on the Nuclear Industry Radioactive Waste Executive (Nirex), an agency owned jointly by four state-owned nuclear organisations.

EUROPEAN INDUSTRIAL POLICY

James Buxton reports on one of Europe's most sweeping privatisation programmes

Italy shuffles balance of corporate power

MRS THATCHER'S Government is not alone in its drive to privatise state assets. Although there have been echoes of the British policy in several European countries, nowhere has progress been so fast as in Italy.

Already between 1983 and August this year assets including both equity holdings and property worth L2,800bn ($1.59bn) had been privatised by IRI, the state industrial holding company. But in the past few weeks a stream of disposals has either been launched or announced by IRI which, with further undisclosed operations in the pipeline, are likely to bring in a further L3,000bn in the next year or two.

To this should be added the rather more modest privatisation programme being carried out by ENI, the state energy holding group, and the partial sale of Banca Nazionale del Lavoro, the country's biggest bank, which is controlled by the Treasury.

To anyone who has not followed developments in Italian business in the past two years, it must appear extraordiary that these sales are taking place, and at an accelerating pace. No less astonishing must be the fact that many of the assets sold have found eager buyers both on the Milan stock exchange and among foreign institutional investors.

For until recently the apparently irreversible trend in Italian business was for the state sector to absorb the weaker companies of the private sector and then, as often as not, to mismanage them, thus boosting the overall losses of the state holding companies, IRI, ENI and EFIM, which in 1983 reached an all-time record of nearly L6,000bn.

Things have changed. IRI and ENI no longer take on lame ducks from the private sector. Since the beginning of this decade a process of rationalising some of the more strategic subsidiaries of the state sector has been under way. The process was pushed forward with more determination and in more sectors when Mr Romano Prodi took over the chairmanship of IRI in late 1982.

Although IRI still lost L2,742bn in 1984 on its smokestack industries (principally steel, Alfa Romeo cars, and shipbuilding), the holding company now contains several companies with strong balance sheets and good prospects.

For those companies that are publicly marketable there now exists a stock exchange full of self-confidence that has risen by more than 75 per cent this year. In part this is due to the arrival of unit trusts, which are highly popular with private investors. But the market has also been boosted by the interest shown in Italian securities by institutions in the City of London and elsewhere. There has been a dramatic rise in business confidence in the past three years, thanks to a more stable government under Mr Bettino Craxi, and a decline of trade union power. Yet the stock exchange suffers one big defect—a shortage of stock.

Mr Bettino Craxi (left), Italy's Prime Minister, who questioned the price and manner of Mr Romano Prodi's (right) proposed sale of IRI's stake in SME.

For Mr Prodi this presented a golden opportunity to reduce debt—which is not far short of turnover at about L40,000 bn—and so cut losses. By bringing the private sector into minority ownership of certain companies, he hopes to invigorate their managements and to lay open their affairs to closer scrutiny. Parallel with this is his desire for IRI to abandon to the private sector businesses which it does not consider "strategic."

In contrast to Britain, there is in Italy no political motive to privatise, and therefore little political opposition. Italy has few nationalised industries in the usual sense of the word: only the railways, electricity generating, cigarette-making (somewhat anomalously) and a few other activities come into this category.

Instead Italy enjoys the formula, devised after IRI was founded in the 1930s, whereby the state owns and manages companies in partnership with the private sector. In the 1950s and early 1960s about half of the assets which came under IRI's wing were owned by the private sector. The proportion owned by IRI only shot up—to reach in some cases the 99.9 per cent level—when the companies went into loss and only the state was willing to inject new funds.

Thus, privatisation represents a return to the IRI formula in its original form, with the state keeping a minimum of 51 per cent. No Acts of Parliament are required and in many cases there is no need to obtain stock exchange quotations, since many IRI companies are already quoted.

IRI has run into controversy when it has tried to sell off "non-strategic" assets lock, stock and barrel. Again, there is no ideological objection, since their takeover by IRI in the first place was not made on ideological grounds. But they have met opposition from trade unions, worried at the passing of cosy employment conditions, and from politicians, upset at the potential disruption of the patronage system.

Mr Prodi's first major sale was a disaster. He tried to sell a large, grossly mismanaged farm outside Rome to two big private farmers. But the unions objected and succeeded in getting the sale held up in the courts. The deal fell through.

Subsequent operations were more successful.

But in the spring of this year Mr Prodi ran into another disaster. He agreed to sell IRI's 64 per cent stake in SME, a large quoted company which makes and distributes food, and whose results were dramatically transformed after more than a decade of vast losses once Mr Prodi came to office. The purchaser was Mr Carlo de Benedetti, chairman of Olivetti, who wanted to merge it with Buitoni, his recently acquired foods company.

At first the Italian political world was stunned that such a big block of what, in Italian political terms, amounts to employment and therefore patronage, could be transferred so painlessly. It turned out that it could not. Mr Craxi had not been informed, and he questioned both the price and the way the deal had been done.

The Prime Minister appears to have encouraged rival bids for SME. The price went up to L650bn against Buitoni's L497bn. The whole issue is now enmeshed in a web of legal actions, and is unlikely to be resolved for months.

But IRI made up for its deep disappointment over SME by pressing ahead along the other route to privatisation — the sale on the stock exchange of minority stakes in "strategic" companies. IRI's fellow holding company, ENI, had already paved the way in 1984 when it privatised 20 per cent of its holding in Saipem, its successful pipelaying and drilling subsidiary, realising L120bn.

The first major operation by IRI was the issuing to the public last summer of shares equal to 40 per cent of the equity of Sirti, a prosperous subsidiary of STET, IRI's holding company for the telecommunications sector.

The Sirti issue was grossly underpriced and anyone who could get hold of an application form and present it before the offer closed — about half an hour after it opened — made an instant profit of almost 80 per cent. The number of shareholders swiftly dwindled from an initial 57,000 to a much smaller number, as shares were bought up by the banks, insurance companies and unit trusts. But it yielded L200bn to STET.

Then, in September, came what Mr Prodi regards as his showpiece of privatisation. Matching the British Telecom sale, IRI and STET launched an operation to sell 30 per cent of SIP, the telephone utility, taking their stake down to an eventual 51 per cent.

The first tranche of ordinary shares sold to Italian and foreign investors bear warrants enabling the holders to buy savings shares at later dates — a kind of part-paid issue. Other shares are being sold direct to Mediobanca, the Milan merchant bank which is technically state-owned, to put in its own portfolio, and further shares are to be issued to Mediobanca against which it will offer convertible bonds. When all these operations are complete in about three years, the state holding companies will have realised over L1,000bn.

Next, IRI is contemplating issuing shares in companies such as Aeritalia (aerospace), Selenia (electronics); Autostrade (motorway ownership and management) and Seat (publishing directories). In all cases stock exchange quotations must be obtained first. Thereafter IRI can continue reducing its shares of "strategic" subsidiaries until it reaches 51 per cent—though it should not be forgotten that there are vast sectors of IRI which would be very hard to privatise.

ENI, meanwhile, has decided to issue further equity in Saipem, which is to be quoted on the Paris stock exchange as well as that of Milan, though it shows no sign of privatising other strong subsidiaries.

Banca Nazionale del Lavoro is to offer 25 per cent of its equity to Italian investors and a further portion to its staff. This will raise more than L400bn.

The unanswered question is whether, and in what way, the management of the companies where IRI has reduced its stake will change. Will private shareholders be able to sack political appointees? Will the companies be obliged to follow government directives, or to make purchasing decisions on the grounds of national interest where this conflicts with economic logic?

At this stage, it is far from clear exactly who in Italy owns the newly privatised shares. Not, for the most part small savers; the new owners are banks, insurance companies and unit trusts. Some of the institutions are themselves technically in the Italian state sector—indeed some, such as Mediobanca, are controlled by IRI. Several Milanese financiers have gone so far as to use the phrase "phoney privatisation."

Yet so far as the running of state-controlled companies is concerned, this pattern of ownership has one great advantage. The men who run these institutions know one another well and are quite familiar with that grey area where the Italian state and private sectors meet. Privatisation in Italy means a modest shift in the balance of power among the oligarchy which controls the country's business.

TECHNOLOGY

EDITED BY ALAN CANE

Portable carbide coater launched

A PORTABLE machine that will produce a very hard carbide surface on engineering components by an electrical discharge process has been developed by Carbide Impregnation of Hemel Hempstead.

The process was announced last year and until now the company has been using in-house machinery to coat customers' components on a contract basis. There has been considerable demand, says Mr Chris McCullough, managing director, but the snag is the carriage costs for heavy components which in some cases come from overseas.

So the company is selling a portable system, called Trakker One, which can be fitted to many machine tools in order to produce the necessary scanning motion of the component with respect to the electrode.

As the special electrode scans in lines over the surface to be treated, carbide coating is laid down that can increase the life of rubbing parts by up to 20 times.

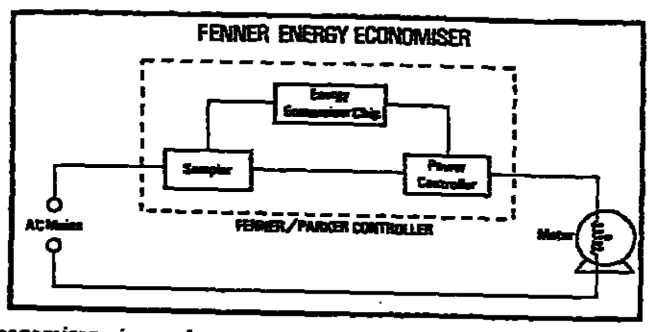
The process is controlled by a microprocessor which regulates scan speed and the spacing of the electrode from the work. The power to the electrode is similarly controlled to determine the depth of the impregnation.

Almost any item in steel, stainless steel or cast iron can be coated. The build-up of carbide is so small that usually it is not necessary to grind the surface back to the original dimension.

GEOFFREY CHARLISH

Controller that fits the bill

A UK company has won the rights to a device that saves power on lightly loaded electric motors, Geoffrey Charlish reports.



J. H. FENNER, the electrical transmission and control company of Cleckheaton, Yorks, has acquired exclusive world rights to an electric motor power saving system from Parker Electronics of Fort Lauderdale, Florida.

The system, Energy Economiser, was developed by Dr Louis Parker and Mr Rhey Hedges as a private venture. Hedges says the decision to manufacture and market in the UK was taken after failing to find a partner in the US with which a suitably wide marketing deal could be struck.

The US companies often sought sole manufacturing, whereas Fenner is willing to license suitable companies in any part of the world.

Production is just starting at Atsco of Hialeah, Florida, and the company is now a Fenner licensee. Fenner, which has a turnover of £200m and employs about 8,000 people in 15 countries, plans to start UK manufacture in April next year.

There is universal interest in these devices due to the very wide use of induction motors — there are thought to be 1bn in service in the US alone, where annual sales top 50m. Much interest followed the early 1970s energy crisis and the Frank Nola patent of 1977, covering a similar device developed at National Aeronautics and Space Administration. That device has been licensed to more than 200 companies in the US

Mr Hedges claims, however, his controller is more effective in saving electricity and will have a much lower price.

Induction motors, when driving their rated mechanical load, are inherently efficient machines—percentages over 90 are typical—and further improvement is difficult.

In practice, however, many motors often idle or work at lower loads and then their efficiency is much lower. This is because the only current then passing through the motor is that consumed in magnetising the machine and producing heating effects in the copper of the windings. As mechanical load is applied to the shaft, the current rises beyond this basic minimum and the efficiency increases.

The objective of motor power saving devices is to reduce the power consumed by the motor when not at full load. Few motors in industry run at maximum load all the time. Machine tools have variable cutting loads, hoists raise variable weights, and in electric typewriters the motor idles unless keys are being struck.

Mr Hedges thinks significant savings on electricity bills could be made in big office blocks where there might be dozens of typewriters on each floor of a multi-storey block.

In warm countries, such office equipment dissipations add to room heat adding to the air conditioning load and producing further cost. Under these conditions, pay-back time for the small Energy Economiser device needed on each machine is about seven months.

Mr Hedges claims that the economiser is a better controller than the original NASA system because it can react very quickly and accurately to load changes on the motor and does so without loss of stability. He says that on each cycle of AC current flowing in a controlled motor input circuit, there is always a small pulse of "inrush cureut" that can be measured and used to feed a signal back to the controller.

The pulse's duration, height and rise time (rate of growth) are directly related to motor efficiency, says Mr Hedges, so that the pulse, suitably processed, can be used to reduce or increase the power fed to the motor through a controllable power semiconductor device. The economiser can make the necessary measurements within the first 500 microseconds (millionths of a second) of each half cycle of the supply voltage. The control action is virtually instantaneous.

The economiser works only at or near the maximum speed of the motor and the control action does not significantly alter the speed. This, claims the company, prevents instability problems that can occur at lower speeds where available torque is lower.

It is also claimed that the economiser will satisfactorily bring motors gently to speed without large accelerations and will protect running motors from harmful electrical and mechanical conditions.

The economiser has been described by the National Bureau of Standards in the US as "a fundamentally sound system" which "appears to achieve nearly optimum energy savings." The bureau made a comparison with the NASA/Nola design which it said, "falls substantially short" of such savings.

No change is needed to motors using the economiser. In practice, a fractional horsepower motor would be controlled by wiring an electronics box the size of a cigarette packet into the motor leads at any convenient point.

The controller is applicable to single phase and to the generally larger three phase motors. It is estimated however, that some 85 per cent of induction motors are under 10 hp (7.5 kw).

Most of the control circuits have been reduced to the form of a chip. In the US, Atsco is understood to be selling a 10 hp controller at an end user, one off price of $300.

Fenner is on 0274 87 6669.

Ice to ensure cool Harmony 2km down

ENGINEERS IN South Africa are putting the finishing touches to one of the world's biggest ice-making plants to cool 2 km deep tunnels in the Harmony Gold Mine, in Orange Free State.

Ice from the plant, which can turn out 20,000 tonnes of the material a day, will be pumped underground through 10 cm-diameter steel pipes at the rate of 25 tonnes an hour. Hot air from the trunnels transfers heat to the ice via an existing closed-loop water-circulation system. The water that results is pumped to the surface.

The South Africa Chamber of Mines' Research Association, which is responsible for the project, is trying out this system as an alternative to blowing air from the surface, the conventional process to keep mines cool.

The gold-mining industry feels the air-circulation method will have to be replaced as it digs deeper to find new sources of minerals. No mine in the world goes beneath about 4 km. But Professor Miklos Salamon, director general of the "research" association, says the gold mining community will have to learn how to operate shafts to a depth of 5 km in the next decade.

The problem with air circulation is that pumping air to a great depth increases its pressure, heating the gas. Cool air pumped from the surface has a temperature of 28 deg C by the time it reaches the bottom of a 2.5 km shaft. At is result, the gas has a limited potential for taking up heat from extremely deep tunnels.

South Africa's mining engineers are using the ice method in the Harmony installation to supplement an existing air system. They chose ice rather than water as the cooling medium because of the large amount of latent heat needed to turn ice to water.

This heat is required to prise apart the molecular bonds keeping ice in its solid state. As a result, ice has a great propensity for taking up heat from its surroundings.

If water were used as the cooling medium instead of ice, engineers would need to pump through the system about four times as much material.

In other work at the research association aimed at exploring ways of operating deeper mines, scientists are working out with computer simulation techniques the optimum geometries for shafts and tunnels deep below the surface.

At great depths, rock bursts present continual problems.

With computer techniques, researchers can model the Earth's geology at these depths and design mine layouts to minimise the chances of fractures.

PETER MARSH

Gold mining in South Africa: air cooling equipment is vital

Automation growth questioned

A RECENT report from The Yankee Group, a market research company of Boston, Massachusetts, will come as a surprise to those who believe factory automation will gradually find its way into smaller companies as the price/power ratio of computer systems reduces.

The researchers say only 2 per cent of manufacturing facilities will account for 65 per cent of the nearly $5bn 1985 market for computers used in manufacturing.

No change is foreseen; YG expects large plant sites will remain the main buying group as the US market grows towards $13bn in 1990.

Large manufacturing sites are likely to trade up to more performance at a constant price as the hardware price/performance ratios improve.

Medium sized sites (less than 500 employees), are usually "technology followers" according to YG. Such manufacturers are usually restrained by capital and labour limitations

Computers in Manufacturing: The State of the Nation, The Yankee Group, 89 Broad Street, Boston, MA 02110. Phone: (617) 542 0100.

Cell production

BELLCO BIOLOGY of Hampstead, London, is selling a machine to turn out biological cells on production lines. The Sci/Era equipment can produce such substances as monoclonal antibodies which could be used in medical kits that diagnose diseases.

The machine contains roller drive to channel bottles containing cultures between different parts of a laboratory. Magnetic drives provide the power needed to spin flasks to bring about chemical reactions. More information on 01-328 1551.

Canal project provides testbed for membrane

BY ROBERT GIBBENS IN MONTREAL

CANADIAN SCIENTISTS are using a permeable membrane in a demonstration project to trap and stabilise heavily contaminated sediment in Montreal's Lachine Canal.

The waterway, nearly eight miles long, forms the centre of the city's old industrial district. It was built 100 years ago to bypass the Lachine Rapids on the St Lawrence River.

Traditional methods of cleaning the canal would cost C$15m (£7.6m) and involve dredging 40,000 cubic yards of contaminated sediment and placing it in a safe place. Incinerating or treating the sediment chemically would cost C$40m, using the membrane C$3.5m.

The membrane is essentially an ultrafine version of netting used in earth moving projects to stabilise river banks or road foundations. It is thought to be the first time a geotextile membrane has been used for such a purpose

Andre Marsan et Associes, environmental consultant, used needle-punched, non-woven polyester fabric made by Dominion Textile in a C$125,000 federal government contract to carry out the test

A small basin near the canal was sealed off, debris removed and the water level reduced to three feet. Sediment from the canal containing polychlorinated biphenols, pesticides and heavy metals was pumped into the basin and allowed to settle.

The membrane was rolled across the basin, anchored to the sides and allowed to sink, capturing the suspended solids and sealing the canal bed. A layer of sand and gravel up to a foot thick was then poured on top

Any gas which forms beneath the membrane will be able to escape. Marsan says solids fine enough to pass through the membrane will remain in the water, as will solvents.

What the project hopes to achieve is an effective barrier between polluted sediments at a low cost as a preliminary to cleaning up the St Lawrence system water feeding in from the west.

The canal basin will be drained in June for evaluation and if the membrane has proved a success restoring the canal for recreational use will be possible

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Product development

JCB ditches convention

Christopher Lorenz explains why the UK heavy plant maker has revamped its design effort

A FEW weeks ago JCB, one of Europe's most successful manufacturing companies, responded to demand from a special segment of the construction industry by launching a new range of products—rough terrain fork lift trucks.

Apart from the usual JCB characteristics of ruggedness, quality and price competitiveness, there is little remarkable about the machines themselves. They are of a type which JCB had thought was giving ground to a more sophisticated range of materials handling machine which it has been making for the past eight years, and which forms a fast-growing part of its business.

But the new fork lifts are highly innovative in a different sense: the way they were developed. Gilbert Johnston, JCB's chief executive, says the company was able to spot the need for a change in product strategy, and respond to it quickly, because of its newly decentralised development and market planning structure.

"It might not have happened otherwise," he says. "Our previous central marketing department might not have challenged our conventional thinking, and central engineering wouldn't have responded unless very strong pressure had been exerted on it." In the event, a joint marketing - engineering team in the recently-created materials handling division moved extremely fast: it took only two years from market research to product launch, whereas JCB's usual development cycle has been three years plus.

It might seem perverse for a company with only 1,300 employees to plump for a complex four-division structure in place of its proven way of spotting market opportunities, and developing products to meet them. Even as the final phase of the reorganisation was put in place in mid-1984, JCB's traditional departmental structure was continuing to give birth to a stream of successful products, as it had done ever since the company's foundation 39 years before by Joseph Bamford, an innovative engineer.

With JCB's design and development engineers imbued with a Bamford-like dedication to quality and detail worthy of the best-run German, Japanese or Swedish manufacturer, the company's product development system seemed more in need of admiration than change.

IT IS hard to avoid superlatives when describing JCB. Despite its small size, it has shown a consistent ability to take on the giants of the US and Japan—and win. From its base deep in the English countryside, near Uttoxeter (best known for its racecourse), it has become one of Europe's leading makers of construction equipment, and one of the few anywhere in the world to be profitable.

Year after year it belies the fashionable view that manufacturing, and especially heavy engineering, is an activity of the past for the developed economies of the world. Only this week it revealed that, having achieved record sales and profits in 1984, it is on track to do the same again this year—to the tune of a 20 per cent increase in sales, to £185m, and a full 25 per cent rise in pre-tax profits, to £25m.

At a time of stagnant markets around the world for many of its types of product, it has again boosted its market share in every category. Most notable is that its share of the US market for backhoe loaders — its main product line — has risen this year by two percentage points, to 7.5 per cent. As its management delightedly points out, this is a higher share than either Toyota or Nissan holds of the US car market. Its international market share in backhoes topped 17 per cent in 1985, nosing it ahead of Deere in second place to J. I. Case.

Behind the worldwide success of this still private company lies its obsessive attention to detail in every aspect of its business: market strategy, product design and development, quality, costing, production, labour relations, sales, service and everything else. As a result, it can boast assets, sales and profits per employee which outrank Japan's leading maker of construction equipment, Komatsu.

Nor does it stand still. In a few weeks' time its transmissions factory in North Wales will bring on stream one of the first fully-automated production plants in Europe.

From the inside, things looked rather different. Which was why Johnston and the other senior executives under Joe Bamford's successor as chairman, his son Anthony, decided to join the growing throng of much larger companies in all sorts of industries—from cars to computers, tape recorders to tractors—which are trying to improve their competitiveness by introducing a radical streamlining of the way they manage product development.* Like them, JCB is aiming to:

- become more responsive to the customer's changing needs;
- improve design-for-manufacture;
- accelerate development times;
- cut development costs.

JCB's reorganisation, which began in 1981, sprang partly from the growing diversity of its products. From its original base in backhoe digger-loaders, with which its name is virtually synonymous, it has gradually moved into an ever widening range of other machines for digging, lifting and materials handling, not only in construction but also in agriculture and industry.

The most successful move so far came in 1977, when JCB launched a new sort of product: a highly versatile materials handling vehicle with a telescopic arm. Since then it has developed a range of these "Loadalls" which this year will account for nearly 15 per cent of the company's sales volume (backhoe loaders still contribute over two-thirds).

Four years later, when Loadall production had just passed 200 machines a year, it was decided to separate the management of this business from the mainstream and create the materials handling division. Under its own managing director, the division was equipped with a full set of resources in design, engineering, marketing, sales and service.

Behind this initiative lay the realisation that JCB needed to focus resources more effectively on the further development and marketing of this innovative type of machine. Explains Gilbert Johnston: "We realised it was a different sort of product from those we were used to, and that we would be leaving the development of the business too much to chance if we didn't focus a lot of attention on it. We wanted a dedicated design and marketing team that wouldn't be distracted by conflicting priorities on other products."

Apart from considerations of how they should allocate JCB's internal resources to best effect, Bamford and Johnston also recognised the need to put a special effort into promotion of the machine to the company's existing construction equipment dealers, as well as to a bevy of new sub-dealers in a market new to JCB: farm machinery. "Selling the Loadalls meant promoting a new machine concept," says Johnston.

By Christmas 1983 the independence of materials handling was clearly paying off. Sales had more than doubled to 820 machines a year (in 1985 they will be half as high again, at 1,250). Further models within the range had been launched or were under development, and many of the traditional barriers between marketing and engineering had been overcome. "The whole idea had been to remove compartmentalisation and engender team spirit," recalls Anthony Bamford. It had succeeded.

Hence the decision to split the rest of the company up into three further divisions, or "product groups," as they are more appropriately called by some JCB insiders: backhoes (the traditional product lines), and two newer businesses, hydraulic excavators and articulated loading shovels. "The idea was to consider what we would have done if each of these product lines represented JCB's entire business—and then either get out of them or do them properly," says Johnston. In JCB's terms, that meant marshalling the necessary marketing, development and financial resources to achieve an annual output of more than 1,000 of each type of machine, instead of the 200-plus that were being made at the time of all but the backhoes and Loadalls.


Derek Prime (left) and Anthony Bamford: getting closer to the customer

Much deliberation went into deciding the best form of organisation to achieve this without losing the existing cohesion between the various product lines and sales networks. Gilbert Johnston, for one, remembers spending much of his Christmas holiday in Florida poring over sheafs of possible organisation charts.

In order not to create fragmentation in production and sales, it was decided to stop short of full divisionalisation, and to limit the decentralisation to responsibility for market strategy, design and development. Under the new structure, which took effect in July 1984, each product group was put under a senior marketing man or general manager. Central design and engineering were raided to provide each of these "product directors" with more than two dozen designers, draughtsmen and development engineers. Two or three marketing staff and a similar number of cost controllers were also transferred from their previous departments.

Production and sales were preserved as functional departments, along with the more experimental side of design and development. But potential barriers between the new product groups on the one hand, and production and sales on the other, were minimised by giving the product directors joint responsibility for sales forecasting and for the identification and monitoring of product costs (including manufacture).

"This prompts them constantly to ask 'are you making it right?'" explains Derek Prime, JCB's design and development chief. "So there are not only inbuilt pressures to link the engineers with the marketplace more than in the past, but also with production and purchasing."

Prime has lost direct responsibility for many of his previous staff—apart from maintaining JCB's design standards, his role is now more one of co-ordination. But he welcomes the change. Under the old centralised structure "lines of communication were getting too tortuous," he says. In developing backhoe designs for the all-important US market, for instance, "market feedback had to go through several different departments before getting to the designers. Now it goes direct."

As Anthony Bamford puts it, "there's now a constant spotlight on each JCB product the whole time, whereas previously there wasn't."

Like any corporate decentralisation, the new structure does have drawbacks as well as advantages. Derek Prime says the creation of dedicated divisional design teams has tended to produce some duplication of effort, with different designers working on similar projects. "We can't keep borrowing people off one project to work on another, like we did before," he says. Together with the company's rapid rate of growth, this has resulted in a 25 per cent increase in the number of JCB's designers over the past year, to more than 50.

As the product line proliferates, it has also become harder for Prime to apply one of JCB's cardinal rules, the use of common components throughout the company. "We are keeping a very close control on the commonality of high-cost components such as engines, axles and transmissions," he says. "But it's proving more difficult to control items like seats."

The maintenance—or restoration—of this control is likely to prove a thorny problem for Bamford, Johnston and Prime as the product divisions develop further competence, cohesion and market penetration. The issue, which is central to the ability of a company as small as JCB to diversify so widely, is one of many on which Bamford and co will have to tread that notoriously difficult management tightrope between central control and decentralised responsiveness to the market.

**See "A vicious race to get ahead," FT September 19 1984. Also articles on Deere (September 24 1984) and Philips February 25 1985.*

Business courses

Introduction to the theory and practice of market research, Eastbourne. January 12-18. Fee: members £552; non-members £632.50. Details from the courses secretary, The Market Research Society, 15 Belgrave Square, London SW1X 8PF. Tel: 01-235 4709.

Finding and fostering tomorrow's leaders, London. January 9. Fee: £143.75; individual and associate members £126.50; corporate members £92. Details from Society for Strategic and Long Range Planning, 15 Belgrave Square, London SW1X 8PU. Tel: 01-235 0246.

Trading with China: the commercial implications, London. December 11. Fee: ESC members £141.45; non-members £166.75. Details from European Study Conference, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel: 0572 822711. Telex: 341352 EURCON G.

New office technology—managing the transition, Brussels. December 11-13. Fee: non-members BFr 62,000; members BFr 56,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/516.19.11. Telex: 21.917.

How effective is your training function?, Middlesex. January 13. Fee: £145. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461, ext 215.

Aerospace in Asia and the Pacific Basin, Singapore. January 13-14. Fee: £540. Details from the Financial Times Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355. Telex: 27347 FTCONF G.

Training design: a four-day non-residential workshop, London. January 21-24. Fee: members £420 plus VAT; non-members £483 plus VAT. Details from British Association for Commercial and Industrial Education, 16 Park Crescent, London W1N 4Ap. Tel: 01-636 5351.

Advancing in management, London. January 28-30. Fee: £483. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G/Ref 1202.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
22	23	24	25	26	27	28

Music

NETHERLANDS

Amsterdam, Concertgebouw. Piano recital by Krystian Zimmerman. Bach, Mozart, Beethoven, Chopin, Szymanowsky (Tue); The Concertgebouw Orchestra under Hans Vonk, with Jaap van Zweden, violin; Harro Ruijsenaars, cello. Brahms (Double Concerto), Stravinsky (Wed, Thur). Recital Hall: Marieke Blankestijn, violin; Bernd Brackman, piano. Schubert, Brahms, Bartók (Tue); Kun Hu, violin; Kyoko Hashimoto, piano. Tartini, Prokofiev, Ysaye, Ravel (Wed); Johannes Leertouwer, violin; Derk Pik, piano. Beethoven, Enesco, Brahms (Thur). (718345).

Rotterdam, De Doelen. Vaclav Novak, violin; Arie Keijzer, organ. Händel (Mon); Band of the Royal Netherlands Navy and the United States Marine Band conducted by Major J. J. Koops and Colonel John Bourgeois. Sweelinck, Strauss, Bernstein, Händel (Tue, Wed); Eduardo Mata conducting the Rotterdam Philharmonic, with Nelson Freire, piano. Schubert, Rachmaninov, Wiren, Stravinsky (Thur). Recital Hall: The Travelling Music Ensemble. Boccherini, Brahms, Schubert (Wed). (142911).

Utrecht, Muziekcentrum Vredenburg. Recital Hall: South American folk musik (Tue); Blues festival (Wed); The Travelling Music Ensemble. Boccherini, Brahms, Schubert (Thur). (314544).

VIENNA

Robert Kuehlmayer, piano. Schubert. Brahms Saal, Musikverein (Mon).

The New Chamber Orchestra of Stockholm, conducted by Franz Moest, with Ulf Wallin, violin. Rossini, Mozart, Beethoven, Bartók. Musikverein (Tue).

Phyllis Moss, piano. Beethoven, Schubert, Chopin. Brahms Saal, Musikverein (Wed).

LONDON

Royal Liverpool Philharmonic Orchestra, conducted by Nicholas Cleobury. New music. Barbican Hall (Mon). (638 8891).

Peter Donohoe, piano. Tippett, Beethoven and Chopin. Queen Elizabeth Hall (Tue). (928 3191).

Trio Zingara: Beethoven, Copland and Dvořák. Purcell Room (Tue). (928 3191).

Royal Philharmonic Orchestra, conducted by André Previn. Cecile Ousset, piano. Ravel, Rachmaninov and Vaughan Williams. Royal Festival Hall (Tue). (928 3191).

Moscow Radio Symphony Orchestra, conducted by Vladimir Fedoseyev, with Andre Gavrilov, piano. Mussorgsky, Prokofiev and Tchaikovsky. Royal Festival Hall (Wed).

Camden Choir and London Bach Orchestra, conducted by Julian Williamson, with Ian Partridge, tenor. Tippett, Finzi and Britten. Queen Elizabeth Hall (Wed).

ITALY

Milan: Teatro alla Scala: Violinist Salvatore Accardo. Bach. (809126).

Rome: Auditorium in via Della Conciliazione: Wolfgang Sawallisch conducting. Leon Bates, piano; soprano Julia Varady; baritone Kolos Kovats. Bartók's Bluebeard's Castle (Mon and Tue). (6541044).

Rome: Oratorio del Gonfalone: Vicolo della Scimia 1/B: Valentin Radu, professor of organ music at the Julliard School in New York, playing music by Bach (Thur). (955952).

Venice: Teatro la Fenice: Lasalle Quartet. Berg and Beethoven. (25191). (Mon).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Wynton Marsalis, and Philip Smith, trumpets: Mendelssohn, Vivaldi, Haydn, Dvořák (Tue); Leonard Bernstein conducting: All-Mahler programme (Wed). Lincoln Center (874 2424).

Carnegie Hall: Henryk Szeryng violin recital with Dalton Baldwin, piano: Bach, Brahms, Julian Carrillo, Debussy, Ravel (Mon); Joseph Wytko saxophone recital: Bernard Heiden, Ryo Noda, Paule Maurice, M. William Karlins, David Diamond, Paul Creston (Tue). (247 7459)

WASHINGTON

National Symphony (Concert Hall): Antal Dorati conducting: Haydn, Bartók, Brahms (Tue). Kennedy Center (785 8110).

CHICAGO

Chicago Symphony (Orchestra Hall): Erich Leinsdorf conducting: Hindemith, Brahms, R. Strauss (Wed). (435 8122).

TOKYO

René Jacobs, counter-tenor, accompanied by Konrad Junghans, lute: Italian laments and love songs. Tokyo Central Church. (Tue). (237 9990; 470 2727).

Thomanerchor and Gewandhaus Orchestra of Leipzig, conducted by Hans-Joachim Rotzsch: Peter Schreier, tenor: Bach's St Matthew's Passion. Tokyo Bunka Kaikan (Wed). (470 1073–4).

Japan Philharmonic Orchestra, (conductor: Naoto Ohtomo; piano, Shinobu Satoh): Mozart, Richard Strauss. Tokyo Bunka Kaikan (Thur). (234 5911; 237 9990).

Traditional Japanese Music: Song, shamisen (plucked lute), koto (zither), shakuhachi (bamboo flute) in recital of traditional Japanese chamber music. National Theatre Small Hall. Complete programme notes in English. (Wed). (265 7411).

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Tannhäuser has Spas Wenkoff in the title role and the highly acclaimed Bayreuth Elisabeth, Cheryl Studer. Der Troubadour is a Herbert von Karajan production. Don Carlos, sung in Italian, has fine interpretations by Pilar Lorengar, Eva Randova and Franco Taglavini. Salome has Lisbeth Balslev, Patricia Johnson, Harald Stamm and Donald Grobe. Der Wildschütz rounds off the week (34381).

Hamburg, Staatsoper: The new Peter Ustinov production of Katja Kabanowa is perfectly cast with Anny Schlemm, Gabriela Benackova, Franz Ferdinand Nentwig and Siegfried Jerusalem. Cavalli's rarely played L'Ormindo features Daphne Evangelatos and Rüdiger Wohlers. Fidelio has Lisbeth Balslev as Leonore. (351 151).

Frankfurt, Opera: Ein Maskenball will be offered for the last time this season with Rosalind Plowright and Barry Mora. Conductor is Giuseppe Patane. Der Freischütz brings together Barbara Bonney, Beatrice Niehoff and Walter Raffeiner. The Magic Flute has Cheryl Lichter excelling as Queen of the Night. Don Giovanni with Benjamin Luxon in the title role closes the week. (25621).

ITALY

Milan: Teatro Lirico: Homage to John Cranko: Jeu de Cartes to Stravinsky danced by Bruno Vescovo, Marcia Haydee and Richard Cragun and The Lady And The Fool (music by Verdi – arranged by Charles Mackerras) with Carla Fracci, Jean Charles Gil, Maurizio Bellezza and Davide Bombana (806418).

Turin: Teatro Regio: A new production of Rossini's Elisabetta Regina d'Inghilterra by Gianfranco de Bosio opens the season. Lella Cuberli sings the title role, and the cast includes Daniela Dessi, Rockwell Blake, Mario Bolognesi and Antonio Savastano, Gabriele Ferro conducts (548000).

Trieste: Teatro Verdi: Simon Boccanegra conducted by Tamas Pal and directed by Carlo Maestrini. Scenery by Giancarlo Bartolini Salimbeni. The cast includes Stefka Evstatieva, Renato Bruson and Carlo Cossutta. (631948).

Rome: Teatro Olimpico: Oskar Schlemmer's Das Triadische Ballet: a reconstruction of its first performance in 1922 by the Berlin Akademie der Kunste. (Wed). (393304).

NETHERLANDS

The Netherlands Opera with a double bill of Cavalleria Rusticana and Pagliacci directed by Nicolas Joel, with sets and costumes by Pet Halmen. The Netherlands Philharmonic and the Opera Choir conducted by Bohumil Gregor. Casts headed by Galina Savova and Adriaan van Limpt, and Thea van der Putten and Jan Derksen. Mon in Amsterdam, Stadsschouwburg (242311); Wed in Tilburg, Stadsschouwburg (432220).

Arnhem, Schouwburg. Modern dance festival (Wed, Thur). (422741).

LONDON

English National Opera, Coliseum: Katya Kabanova, a famous ENO Janacek production now restaged by David Pountney, marks Simon Battle's long-overdue London opera debut; Eilene Hannan takes the titel role. Further performances of the new Gounod Faust, a lively, original, and very successful new look at the popular favourite, and the rather less successful attempt of the same kind on Orpheus in the Underworld. (836 3161).

Sadler's Wells, Rosebery Avenue: London Festival Ballet II, a splinter group from the main ensemble with two programmes of short ballets. (278 8916).

VIENNA

Staatsoper: Schoenberg's Erwartung conducted by Ulf Schirmer with Karan Armstrong; Herzog Blaubarts Burg with Matti Salminen and Klara Takacs; Donizetti's The Love Potion conducted by Weikert with Grist, Gyldenfeldt, Yamaji, Weikl, Tadder; Tristan und Isolde conducted by Hollreiser with Sotin, Kollo; Raymonda by Glazunov, Petipa and Nureyev; Die Walküre with Janowitz, Jones, Randova, Lotte Rysanek, Kollo, McIntyre. (5324/2655).

Volksoper: Britten's The Beggar's Opera; Die Ungarische Hochzeit; Zemlinsky's Kleider Machen Leute; Heuberger's Der Opernball; Lortzing's Der Wildschütz. (5324/2657).

NEW YORK

Metropolitan Opera (Opera House): The week features the premiere of Jean-Pierre Ponnelle's new production of Le Nozze di Figaro conducted by James Levine with Kathleen Battle as Susanna and Ruggero Raimondi as Figaro. The week also includes Cavalleria Rusticana with Hildegard Behrens and Pagliacci as well as Porgy and Bess, conducted by James Levine, with Roberta Alexander. Lincoln Center (362 6000).

Dance Theater Workshop: The invitational Border Crossings celebrating the venue's 20th anniversary continues with Fresh Tracks, a choreographers' showcase (Tue). (219 W. 19th St. (924 0077).

Bejart Ballet (City Center): Three world and two North American premieres in this 25th anniversary season, including Le Concours, set to music by Hugues Le Bars and depicting a whimsical whodunit in the setting of a dance competition. The company includes Shonack Mirk and Jorge Donn. Ends Dec 1. 55th E. of 7th Av. (242 0800).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. Also Madame Butterfly with Anna Tomowa-Sintow in the title role conducted by Miguel Gomez-Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti et I Montecchi, Die Meistersinger and La Rondine (332 2244).

Theatre

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

NETHERLANDS

Amsterdam, Bellevue Theatre. The English Speaking Theatre of Amsterdam presents William Gibson's bittersweet comedy, Two For The Seesaw. Maxine Resnick and Grant Coburn directed by Svarupa. All week. (247248).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover: but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

WASHINGTON

Night Mother (Arena): Marsha Norman's searing view of a mother and daughter on the night the daughter announces her intention to commit suicide requires a strong stomach for hard-bitten realism. This production by James C. Nicola has Halo Wines as daughter Jessie and Ann Guilbert as mother Thelma. Ends Dec 8. (488 3300).

TOKYO

Takarazuka All-Girls' Revue. The Snow troupe in The Kaleidoscope of Love Plus And Now. This Japanese phenomenon, the antithesis of Kabuki where the girls play the men's roles with typical innocence and earnestness, is a must for foreign visitors. Takarazuka perform elaborately-staged and skilled musical adaptations of both Japanese and Western plays, with revues and standard musicals. Plots are usually highly improbable. While rather frothy, heavy on the effects, Takarazuka provide another insight into the incongruous mosaic of Japanese culture. Detailed English summaries in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre: near Ginza and major hotels. Matinees and evening performances. (591 1711).

Exhibitions

PARIS

Picasso Museum: The 17th century Hôtel Salé, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cezanne, Douanier and Rousseau. Mûsée Picasso. Hôtel Salé, 5 rue Thorigny, Paris 3e (271 2421). Closed Tue.

Sir Joshua Reynolds: The artist's first exhibition ever in France, organised with the London Royal Academy and British Council's aid. It follows the Gainsborough and Turner exhibitions and acquaints the surprised French public with the history of English painting and with the remarkable and inventive portraitist that was Reynolds. Grand Palais, closed Tue, Wed late opening (261 5410).

LONDON

The Royal Academy: German Art in the 20th Century – until Dec 2 – this is certainly the most important exhibition at the Royal Academy since the Post Impressionist Exhibition, in terms of the practical study of the art of our own time. But it is a partial rather than definitive treatment of its subject, more closely defined as the Expressionist Tradition in modern German Art. The pioneer expressionists of Die Brück and Der Blaue Reiter – Schmidt-Rotluff, Nolde, Kirchner, Mueller, Macke, Marc and Kandinsky, Beckmann, Dix and Grosz are the heroes. Beuys Kiefer and Richter continue in spirit.

WEST GERMANY

Berlin, Nationalgalerie: Art from 1945 to 1985. With 500 works by 220 artists the Berlin National Museum will display an extensive exhibition of post war art. Ends Jan 12.

Stuttgart, Neue Staatsgalerie: A retrospective of 81 works of the British artist Francis Bacon (born in 1909). The works, covering 40 years, are on loan from the Tate Gallery, London. Ends Jan 5.

Bremen, Kunsthalle am Wall 207: Klee drawings and paperworks from 1921 to 1933. Ends Jan 5.

Hanover, Kestner-Gesellschaft, Warmbüchenstr 16: pictures and drawings by the Austrian painter Christian Ludwig Attersee since 1975. Ends Dec 8.

BRUSSELS

Spanish Netherlands 1500-1700: Renaissance and Baroque, Flemish and Spanish painters – Velázquez, Rubens, Murillo, Van Dyck, El Greco. Palais des Beaux Arts. Ends Dec 22.

Goya: paintings, drawings, etchings from Spanish public and private collections. Musée Royale des Beaux Arts. Ends Dec 22.

Picasso, Miró, Dali: Palais des Beaux Arts. Ends Dec 22.

Tapies, Chillida, López García: three contemporary artists. Musée d'Art Moderne. Ends Dec 22.

Los Beatos: 20 illuminated manuscripts. A IXth century commentary on the Apocalypse attributed to Asturian monk Beatus (circa 775 AD). Nassau Chapel, Royal Library. Ends Nov 30.

ITALY

Rome: Museo delle Mura, Porta San Sebastiano: Trade Routes Between the Mediterranean and the Far East in the Ancient World. The museum is set into the Aurelian walls above the gate through which the Appian Way passes and is worth seeing in itself. Organised by the Commune di Roma and the Museo Nazionale d'Arte Antica, the exhibition explores the movement of goods (incense, myrrh, silk and spices) to Italy from the east from the 8th century BC to the Middle Ages. Clear and informative and illustrated mainly by photographs and diagrams, but one felt that the exhibition was aimed more at school outings than tourists and that a lot of the information could have been got just as well from a good book. Ends Jan 5.

Rome, Galleria Editalia, Via del Corso 525. Futurist Painters in Rome: 1910–1930. Energetic, dramatic and highly coloured, notably the work of Giacomo Balla. Ends Nov 30.

VIENNA

Art From The Stone: Art lithography from its origins to the present. This exhibition shows the versatility of nearly 200 years of European lithography. Most artists seem to have had a try at drawing or painting "on the stone" – from Goya to Picasso, Delacroix to Chagall, Toulouse-Lautrec to Miro, Munch and Beckmann. The exhibition explains how lithography began, how it is done, and goes a long way to explain its continued fascination for artists. At the Albertina until Dec 8.

Treasures From The Forbidden City, Peking: A selection of 120 objects covering 3,500 years of Chinese history from Peking's Forbidden City, the former Imperial Palace, now a museum. It includes gold and jade pieces, calligraphy of all kinds, musical instruments, costumes, paintings, procelain vases, dishes and cups from the Ming and Qing dynasties, and paintings on silk rolls showing the elaborate ritual of the court, or members of the royal family at leisure or on one of their epic journeys. This is the last opportunity to see the collection in Europe before it returns to the Forbidden City. Museum of Ethnology, Heldenplatz, Vienna, until Dec 8.

SPAIN

Madrid: Toulouse Lautrec. For the first time in Madrid, an excellent assembly from Museum Albi (France): 31 posters, 12 paintings, six drawings and 37 lithographs including his 12 Elles and the series Au Cirque. All from 1891–1900 just before his death. A good exposure of La Belle Epoque and Montmartre. Caja de Barcelona, Velázquez 63. Free entry. Ends Dec 9.

Madrid, a selection of 162 XVIIth century paintings including Ribera, Caravaggio, Luca Giordano, Vaccaro, Cavallino, Pretti, Caracciolo, Salvatore Rosa, Micco Spadero, Falcone, etc. Palacio de Villahermosa, Prado Museum. Until end of Dec.

NEW YORK

Metropolitan Museum of Art: The travelling show India, arrives from Washington with 350 examples of six centuries and numerous flourishing periods of art and craft. Ends Jan 5.

Asia Society: Complementing the Metropolitan show, Akbar's India concentrates on the 49-year reign of the sixteenth-century Mughal emperor who built Fatehpur Sikri and inspired the works represented here by 80 paintings as well as metal work, carpets, and textiles. Ends Jan 5.

Museum of Modern Art: Making generous use of the Riklis Collection of the McCrory Corporation, this exhibit of geometric abstract art of the twentieth century entitled Contrasts of Form covers the Russian Constructivists and American Minimalists as well as Cubism and Bauhaus. Ends Jan.

WASHINGTON

National Gallery: The Treasure Houses of Britain collects 700 objects from 200 stately homes in a show mounted and decorated to look like the quintessential stately home, with paintings by Holbein, Rubens, Van Dyck, Hogarth and Turner among many others, as well as Chippendale furniture, Meissen and Sèvres porcelain and tapestry, jewellery and armour. Ends Mar 9.

Hirshhorn: The recent allegorical and romantic strain in Italian painting is represented in a show of 46 works, primarily paintings, from 13 artists, including lesser known artists such as Carlo Bertocci and Patrizia Cantalupo as well as the well known Sandro Chia, Mimmo Paladino and Carlo Maria Mariani. Ends Jan 5.

CHICAGO

Art Institute: Chalk & Chisel combines 11 sculptures with more than 80 sculptors' drawings to show the interplay between preparation and execution in the work among others of Rodin, Carpeaux and Rysbrack. Ends Dec 12.

TOKYO

Van Gogh: Over 100 oils, sketches and prints, some reflecting his interest in Japanese Ukiyo-e prints. National Museum of Western Art in Ueno Park. The park is pleasant respite from the city concrete, one of Tokyo's few open spaces where autumn is evident. Ends Dec 8.

THE ARTS

Cinema/Paul Taylor

Icy view in a cool climate

Plenty directed by Fred Schepisi

When Father was Away on Business directed by Emir Kusturica

The Boys Next Door directed by Penelope Spheeris

Lost in America directed by Albert Brooks

Sting as Mick and Meryl Streep as Susan Traherne in "Plenty"

In the week of Plenty (and plenty more) the temptation to play with equations of parts, sums and wholes is nigh irresistible. But in a week in which Citizen Kane begins a West End revival, and when the most satisfying film among those offered for review is a Japanese production dating from 1958, one can hardly get the new stuff to add up at all.

Presented by RKO (the same corporation that in its studio-owning heyday gave Welles his first control of the magic train-set). *Plenty* is a fraught re-packaging of David Hare's stage polemic: a characteristically despairing diagnosis of post-war British decline and depression assembled on a mock-epic scale with the unusual combination of US dollars and star power and uprooted Australian talent (director Fred Schepisi, cameraman Ian Baker and composer Bruce Smeaton).

Hare's political perspective on the lies and lost opportunities accumulated in Britain between the end of the Second World War (one-nation euphoria) and Suez (ultimate betrayal) is embodied in his heroine / villainess / victim, Susan Traherne, an agent for Special Operations Executive in Occupied France, and thereafter a rapidly disillusioned, soon disaffectedly moralising, eventually maddened mirror for England's mid-century malaises.

Central miscasting does not help the episodic narrative to gel—the stellar Streeping of the bankable Meryl tips the power-balance awry in her character's failings against the courses of history and tradition—but the internal contradictions of the play and screenplay (also Hare's) weigh heavily anyway. The engineered collisions between biography (Susan's—sexual, professional or mental), the historical moment and repressive ideology often jar in their QED schematism (there is much of Wetherby writ large here), while some of the correspondence Hare sets out between Susan's and his own positions (her barrenness, his political impotence, for example) lay him open to charges of misogyny.

Art-house agit-prop is hard to pull off, especially if it has to accommodate the ever-actressy leanings of a leading lady, but there are odd compensations in the overall two-hour investment in defeatism. John Gielgud's scene-stealing as an old-school diplomat is especially welcome, while Tracey Ullman as Susan's bohemian flatmate, Sting as her rough-trade lover and Charles Dance as the husband she destroys offer occasionally inspired support.

It would, of course, be par for the movie-biz course if director Schepisi was lionised for this exercise in prestigious pessimism while a delight like *Barbarosa* (his Willie Nelson Western) remains under-rated and under-seen, and his cherishably daft folly *Iceman* (a near-balletic adventure in anthropological ethics) remains unreleased.

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A television newscast on the Suez invasion marks one political turning point in *Plenty*; in the Cannes prize-winner *When Father Was Away On Business*, a radio commentary on the Yugoslavia v USSR tie in the 1952 Olympic football tournament performs the same function. Where *Plenty* runs from chill to icy, though, Emir Kusturica's second feature is all warmth and cute, muted irony in its almost nostalgic retrospect of the post-Stalinist thaw in Sarajevo in the early 1950s. Adopting a child's eye view on the effects on one family of the ideological winds of change (the father's "business trip" is a stretch of forced labour in exile, instigated by his policeman brother-in-law and a vindictive ex-mistress), Kusturica toils towards a sophisticatedly sentimental satire, misting the period, the politics and the experiences of a soccer-loving, sleep-walking six-year-old with an undifferentiated halo of *faux naif* "charm."

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The Yugoslav effort, *Citizen Kane* and Szabo's *Colonel Redl* (reviewed last week) each occupy one screen of the new Cannon Film Centre, where *The Boys Nex Door* completes the quartet of opening movies. Penelope Spheeris's follow-up to *Suburbia* once more uses (to immensely better effect) a provocative exploitation - movie format to cover a touchingly old-fashioned attempt to *understand* outsider kids. Here, scrutinising a pair of Average Young American Psychopaths on an unmotivated week-end thrill-kill spree in Los Angeles, Spheeris maintains an impassive gaze for a lot longer than she did on the perversely patronised punk "family" or *Suburbia*, revealing herself this time round as somewhat less of a sheep in wolf's clothing.

A mug-shot gallery of recent real-life psycho-killers (the Hillside Strangler, the Atlanta Child Murderer, and Son of Sam included) opens the dossier, though stills from Capote/Brooks's *In Cold Blood*, Mailer/Schiller's *The Executioner's Song* or Jon Jost's *Last Chants For a Slow Dance* might have done just as well for the sense of genre is stamped on Spheeris's movie by the appearance of Charlie Sheen as one of the blue-collar buddies, following in his father Martin's fictional footsteps little more than a decade after *Badlands*. Maxwell Caulfield's incongruously fresh face fills out the other sinisterly anonymous identikit of itchy-fingered, inarticulate rage, and kicks off the multiple corpse-count undertaken by two rather less credible LA cops.

Nothing as close to the bone is Lost In America, which didn't get particularly close to my funny bone either. A stingless social satire from Albert Brooks, a former director of sketch films for Saturday Night Live, and much toutd as "the new Woody Allen" (indeed, here co-starring with Julie Hagerty from A Midsummer Night's Sex Comedy, but looking, as his own leading actor, more like Charles Grodin), this concerns a domesticated couple of ultra-Yuppies suddenly upping to follow the old hippie trail across the States with a sizeable bankroll cushioning them and a shared mis-remembrance of *Easy Rider* to succour their fantasies of freedom. Hitting the freeways in a luxury mobile home (to the ironic strains of *Born To Be Wild*) they discover the road is decidedly bumpy beyond Las Vegas—before, that is, complacency is restored. Is this *really* the sort of film people keep encouraging the original Woody Allen to go back to making?

Heroes of the Somme/Festival Hall

Paul Driver

Wednesday evening's event in the Festival Hall was a grandly conceived, handsomely supported (by sponsors, patrons, audience) musical consideration — I nearly wrote celebration — of the First World War. It was made by the combined North East London Polytechnic (NELP), Hatfield Philharmonic and Harlow Choruses, the Nemano Orchestra of London (an *ad hoc* gathering of excellent professionals), and members of the Band of the Grenadier Guards. The conductor was the extremely able Michael Kibblewhite.

The guardsmen, in full regalia, began proceedings, marching in front of the platform to play one of Sir Arthur Bliss's numerous fanfares, the *Fanfare for Heroes*. There followed Bliss's delectable, unchauvinistic choral-orchestral arrangement of the National Anthem, which one much preferred to listen to than stand up for. Then, the English idyll, *The Banks of Green Willow*, by George Butterworth, who died in action three years after it was written.

So far there was little to indicate that the concert would offer any kind of critique of war; and Elgar's late cantata, *The Spirit of England*, to three poems of Laurence Binyon, seemed chosen to emphasise a patriotic, stoically accepting, sentimental and thus anachronistic view of the subject. Somehow, though, in the complex inner workings of this mellow, fascinating and almost, occasionally, modern-sounding music, a counter-statement about heroics insinuates itself, no doubt escaping Elgar's conscious intention. One felt happier with this elusive assent to the War than with the direct denunciation which formed part, at least, of Bliss's symphony *Morning Heroes*, heard in the second half.

This five-movement, hour-long colossus doesn't get anywhere. It is difficult to decide what the composer either personally felt or is musically saying about a war in which he himself was gassed and wounded and in which his brother (to whose memory the work is inscribed) was killed. Now wartime heroics are savoured (the Homeric movement, the setting of Whitman's *Drum-Taps*), now they decried (Wilfred Owen's bitter *Spring Offensive*, set for narrator and rolling drums alone). The ending on a note of fatuous sublimity ("Hero and heroes' god, th'invincible Sun") only confirms what the noisy rhetoric of many earlier passages suggests: that no work of *mourning* is in fact accomplished by *Morning Heroes*.

Realising that, one left the concert disappointed that the evening had, after all, entirely failed to discuss the obscenity of war—that war.

King Lear/Almeida

Michael Coveney

Deborah Warner's Kick Theatre production of *King Lear* was acclaimed at the Edinburgh Festival and arrives at the Almeida after a lengthy international tour to prove that there is life in the non-technological theatre yet. This is close contact, minimalist Shakespeare but it is not apologetic, nor is it weak-kneed. It follows in the tradition of Shared Experience and the RSC's *Macbeth*.

This is not to say that it lacks "design." The Almeida itself, around whose atmospheric brick walls the actors await their cues in floppy white blouses, is scenic and theatrical. Three step-ladders, one loftier than the other two, are also positive design elements. There is a touch of Peter Brook magic in the way Edmund despatches Edgar up one ladder, back to the audience, before their rigged fight. The ladders form triangular entrances for the formal hostilities at the end; one of them receives a crazed Cornwall climbing to pluck out Gloucester's second eye.

Come the storm scenes, the even bright light is slammed off and ground level lamps and pounding tympani herald the storm. No sound is on tape. Even the herald's trumpet will be a sung Latin anthem by the same counter-tenor whose muffled "Coventry Carol" accompanies the lyrical reunion of Lear and Cordelia.

Robert Demeger's "O reason not the need" is the rhetorical centre of the evening from which he lapses into master of the insane hovel revels. What he lacks in pathos and grandeur he makes up for in his comprehensible lunatic mutterings; stark naked but for a wispy night shirt, this is the funniest Lear since Michael Hordern's.

Admirable, too, are the bearded Kent of Derek Hutchinson, the poisonously mezzo Regan of Janet Amsbury and the resolute Cordelia of Hilary Townley whose doubling as the Fool is a ploy to rediscover her father in a play where disguise and transformation lead to expanding awareness all round. An extra role-playing dimension is exemplified by Mr Demeger attending the Gloucester atrocity and blankly reporting the death of Cornwall as a messenger before removing his socks and trousers to pick up his potty progress in the title role.

Verdi's Joan/New York

Andrew Porter

I can't resist quoting from the New York Times review of Verdi's *Giovanna d'Arco*, given a concert performance in Avery Fisher Hall last month, with Margaret Price, Carlo Bergonzi, and Sherrill Milnes in the principal roles: "This is the sort of opera in which the heroine dies in the last act, is brought back in a vision for her final number, then dies again. Yes, Temistocle Solera wrote that scene, but Verdi accepted it and apparently liked it well enough to defend it." The critic, Donal Henahan, pronounced *Giovanna* "dramatically naive and musically crude" and declared that "in the six years before it" Verdi "had done better (*Nabucco* and *Ernani*, for instance)."

Giovanna dates from 1845, *Nabucco* from 1842, *Ernani* from 1844. And Solera—close-following Schiller—wrote a final scene in which Joan, mortally wounded, apparently dead, is borne in on a litter, rallies for a moment, and sings movingly. Renata Tebaldi's touching utterance of one little phrase—"Oh mia bandiera!"—is still remembered, and Price also sang it poignantly. (One could as well say that *Otello* is the kind of opera in which the heroine dies, is brought back in a vision to sing her last lines, then dies again). In fact, I don't altogether disagree with Mr Henahan's assessment. Nor does Julian Budden, who said of *Giovanna* that "at its worst it is provincial and childishly pretentious." But, he added, "the best things surpass anything that Verdi had written up to that time."

The audience was prepared to like *everything*. As the Times said, "the voice fans were out in full force, baying lustily for their heroes." The show had the most clamorously warm reception I've ever heard in Fisher Hall. I had reservations about the artists as well as about the work, but of a kind that must be set against the observation that one is unlikely to hear *Giovanna* better performed today. Price's voice may sometimes lose purity above the staff. Except when pouring out over ensembles, she is no shining, soaring Milanov. She does not take chances or yield to the inspiration of the moment. In recitative, she tends to hang on to penultimate notes like an old-style oratorio singer. She is not impetuous. But she does have a real Verdi voice (who else but Caballé has, now?), full, unforced, substantial, and beautiful. She is a serious and generous artist, and she did some lovely things in this *Giovanna*.

Bergonzi is the last Verdi tenor, the only one able in full voice to *melt* from note to note and dissolve listeners into ecstasies. (It is 13 years since I heard Domingo, in the San Francisco *Africaine*, essay anything comparable.) The reservations concern his readiness, today, to hold his best notes for as long as they will last, and to push swelled notes to a grunted cut-off. That apart, he is an artist with a rare command of Verdian phrase and line, and of timbre both virile and liquid. His soft notes were ravishing.

Milnes was in fine voice. Giacomo's first aria is marked *grandioso declamato*, and his second rises to a *grandioso*. Milnes was grander than in the *Giovanna* recording he made 12 years ago. But that second aria also has phrases marked *piano*, which he sang loudly, and it should close on a *pianissimo* mid-F-sharp, not a bellowed high one. The baritone was ready to sacrifice character to vocal display. No, that is unfair: he does feel his roles. But he does not trust Verdi's less-is-more approach or create the excitement of soft, charged intense declamations, with volume held in reserve for the opening-out moments.

For permitting this, the conductor, Richard Bradshaw, commonly counted among the country's most responsive Verdians, loses Verdi points. *Also* for countenancing several cuts in one of Verdi's shortest scores (barely two hours of music). But he was making his New York debut and was perhaps hardly in the position of Muti, prepared to dictate to famous stars exactly what they should and should not do. His Verdi points rise high by reason of his ability to co-operate with and second the special strengths of the singers and thus display them — and thereby Verdi's score — to the best possible advantage. That's the true Verdian way.

Budden calls *Giovanna* "a work of brilliant patches." Several of them involve orchestra and chorus. Bradshaw, the excellent Orchestra of St Luke's, and the New York Choral Artists conspired to reveal them.

The First Sunday in Every Month

Martin Hoyle

"The Panzers will be coming soon," says a dressing-gown clad George Cole; and launches into a whimsical monologue about the dawn blitzkreig, that hurls breakfast including armour-piercing sausages at the hapless patients, that could grace the more literate sort of television sitcom. In fact, though the writer Bob Larbey comes to stage work fresh from such small screen successes as *The Good Life*, the beginning is misleading. This gentle, wry look at two residents of a Surrey old folks home is thoughtful, intelligent and — though slightly nervously so — touches on the fears of advancing senility.

What *The First Sunday in Every Month*, in its premiere at the Nuffield, Southampton, lacks is the impetus of a strong story line. It amounts to a turn for Mr Cole in self-deprecating mood. The septugenarian Cooper is visited once a month by his emotionally buttoned-up daughter and her wimpish solicitor husband. Justin Greene's direction steers Maggie Henderson and Edward Lyon mercifully clear of caricature.

Cooper and his crony Aylott (Geoffrey Bayldon) joke nervously about joining the zombies, those of their fellows who have let their faculties slip, and as a mental exercise try to name the 1947 Middlesex cricket team, always getting as far as 10 men. Apprehensively noting his repetitiveness and forgetfulness, each demands reassurance from the other. Cooper's crusty chaffing extends to a love-hate relationship with a cleaning lady and tenderness towards pretty Nurse Wilson whom Siobhan Redmond (recently a spirited Lady MacDuff) makes into a lovable Glaswegian.

We observe two Sundays in April and May. The play revolves round Cooper's relentlessly unflagging high spirits. He tries too hard, as he admits: "I come over as an unnaturally cheerful old loon." George Cole's relaxed delivery is beautifully gauged, whether revealing impatience with his daughter's visits or gallant jocularity at the fantasy of special designer-incontinence bags sponsored like racing drivers.

His perfectly judged naturalism dispels the sentimentality that lurks in the dramatic situation without ever showing its face. The grim humour of age is epitomised by Cooper's modesty when he asks the cleaner to sing, thus covering the noise of his visit to the loo. Lorraine Peters, prickly but kind-hearted, breathlessly intoning "Alice Blue Gown," is in keeping with the play's soft but never gooey centre. If Mr Larbey can spin a full-length plot instead of working a set of variations on one basic joke, his stage work will be worth watching.

Paul Carter

Geoffrey Bayldon

Heritage Fund needs extra £15m

The National Heritage Fund will be unable to fulfil its mission of safeguarding the national heritage if it does not get an extra £15m in aid from the Government in the next few months. However, its chairman, Lord Charteris, remains "optimistic, and will stay so until I hear the opposite."

He was introducing the Heritage Fund's report for 1984-85 in which it spent £12.6m on a range of projects, from the £400,000 to ensure that the National Gallery got the portrait of Mr and Mrs Coltman, by Joseph Wright of Derby, to the £15,000 to preserve the Wood of Cree in Galloway as a haven for birds. In recent months the fund has given £21,553 to help raise a Wellington bomber from Loch Ness, £248,197 towards the restoration of Clevedon Pier, and £94,000 to save the Littlecote armour.

But its grant for 1986-87 will be £3m, the price of just one good, but not outstanding, Old Master painting. The fund is reluctant to dip into its £10m contingency reserve so it has very little in hand to meet the sudden crises that arise, threatening the heritage.

By chance there is a case looming which could take up all its £3m — the Bernini bust at Castle Howard, which the Victoria & Albert Museum is anxious to acquire. The fund would like to save it, but dare it give all, or even a slice, of its money to this one cause?

In past years the Government has given extra money in crises —last February it gave the fund £25m to safeguard Kedleston, Weston Park, and the furniture at Nostell Priory, and negotiations are now under way to preserve these houses.

Lord Charteris and the Heritage Fund will be dependent on a similar gesture from the Government when the next great house suddenly faces disolution of an important picture is threatened with export abroad.

A.T.

Europalia Festival/Belgium

Rob Van Mesdag

The theme of Belgium's Europalia festival this autumn is Spain, an apposite choice in view of the Iberian accession to the EEC. There are more than 30 exhibitions throughout the country, but two in Brussels vie for top marks.

While El Greco portrayed the spirituality of his country and Velázquez its splendour and pride, Francesco Goya (1746-1828) concentrated on its people and their lives, especially their suffering, deriving his inspiration from the political and social changes that took place in Spain during his lifetime. Hence the variety in subject matter and style of his work on show at the Musée des Beaux Arts.

His early paintings remind us of his appointment in 1786 to the court, as Peintre du Roi. We see portraits of King Charles III in hunting attire; of political figures such as Count Floridablanca; and of intellectuals such as Juan Antonio Melendez Valdés.

His other paintings show the consequences of Spain's struggle for independence against Napoleon's forces, as in the picture "The Executions of May 3, 1808." Similarly the 50 drawings and 12 etchings of men, women and children in prison or being tortured were used by Goya to record, make known and protest against the excesses of war, intrigue and repression.

The Flemish or southern half of the Netherlands formed part of the Spanish empire from 1518, with the accession to the throne in Madrid of the Flanders-born Charles V, until the Treaty of Utrecht in 1713, so it is little wonder that close links between the two countries still exist. The Splendours of Spain and Belgian Cities, 1500-1700 is a most prestigious and beautiful presentation of Spanish and Flemish art from the period.

It opens with a series of views of important cities: Brussels, Antwerp, Namur in the Low Countries, and Seville, Toledo, Valencia and Cadiz in Spain. Then follow portraits of Philip II by Moro, William the Silent by Key and Spinola by Van Dyck, and religious subjects by El Greco, Pourbus, Murillo and Rubens. De Momper and Jan Breughel provide insights to village life in pictures never seen in Brussels before, although they must have been made nearby.

Both exhibitions are open until December 22.

Kandinsky in Paris 1934-1944

Phoebe Tait

Wassily Kandinsky spent the last years of his long life in Paris, where he refined the complex visual themes which had been central to his aesthetic and ethical beliefs since as early as 1914.

Thus the show which has recently been seen at Milan's Palazzo Reale and is soon to open in Vienna – Kandinsky in Paris 1934-1944 – provides a welcome opportunity to see one of the largest assembled collections of works from the modern master's last decade. Including over 200 drawings and watercolours as well as a selection of works by Kandinsky's contemporaries the exhibition – unlike so many giant one-man shows – is compact, cohesive and informative.

This is the third in a trilogy of exhibitions devoted to Kandinsky to have been organised by the Guggenheim Museum of New York. The previous shows which centred on the Munich years (1896-1914) and the Russian and Bauhaus period (1915-1933) were held at the Guggenheim in 1982 and the winter of 1983-84. The present show is the first to come to Europe.

Kandinsky's earliest paintings, which include the first abstract work are generally the most popular as they misleadingly appear to be more spontaneous, exuberant and with a freedom in handling which disappeared in the later works. In fact all Kandinsky's works are the result of a complex theory on colour and form which, as the painter explained in a number of books, have an objective spiritual purpose.

The later more precise, geometrical canvases or the last organic arrangements seem less expressive and may leave the unfamiliar spectator cold. However, with this large show assembled from all over the world, it is possible to recognise that the works show the continuation and resolve of Kandinsky's theory.

Non-representational art has become commonplace in the last few decades. Kandinsky, as the first exponent of what was once seen as the most radical development in the arts, remains one of the most influential modern masters. But as this exhibition shows there is still a fund of the unexpected to be reaped from his paintings. It is due to open shortly at Vienna's Museum des 20 Jahrhunderts.

Saleroom/Antony Thorncroft

De Savary on target

Mr Peter de Savary is well on the way to topping the £3m he expected to make by selling most of the contents of Littlecote House in Wiltshire, his recently acquired home. Yesterday morning contributed another £900,000, making almost £2, with two sessions still to go.

A view of Littlecote, painted around 1705 by an anonymous artist, sold for £154,000, over twice the estimate, to the dealer Guy Neville. As well as the house the picture depicts a range of country pursuits. An American buyer, bidding on the telephone, paid £66,000 for a George IV parcel gilt maplewood centre table of around 1825 and the same sum secured a set of four large early George III mahogany armchairs. Both prices doubled their forecast.

Apter Fredericks of London paid £55,000 for a George II mahogany "concertina-action" card table, while a George III needlework carpet was at its top estimate at £55,000. "The Littlecote Mosaic," a George II replica in needlework of the Roman mosaic in the park, sold for £46,200, as against a £15,000 top estimate.

The best sale at Sotheby's in London was of English drawing and watercolours. "The kibab shop in Scutari," drawn by John Frederick Lewis in 1858, sold for £55,000 to Gallery George and a Thomas Girtin view of the River Exe made £55,000. Morton Morris, the London dealer, bought a landscape with cattle by Gainsborough for £41,800 and Leggatt paid £33,000 for "Flatford Lock," an 1823 sketch by Constable.

Christie's did well selling English furniture, which has been a strong market in recent months. The auction totalled £1,755,939, with just 4 per cent unsold. London dealers competed with New York dealers for the top lots.

A Regency burr yew breakfront bookcase, supplied by Marsh and Tatum to the Prince of Wales for use in Carlton House in 1806 (one of four which cost him £680), sold for £145,800 yesterday to Henry Phillips of London. The estimate had been £30,000-£40,000. A pair of George II giltwood open armchairs, made for the Earl of Strafford at Wentworth Castle did well at £91,800, and a pair of early George III library armchairs realised £75,600.

Apter Fredereiks of London paid £62,640 for a Queen Anne walnut bureau cabinet (top estimate £20,000), while Henry Phillips, again, bought a rare pair of Queen Anne gilt gesso side tables for £38,880. Hyde Park Antiques of New York paid £37,720 for a pair of Regency rosewood side tables and £34,560 for a Regency black and gold lacquer side cabinet.

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The test still lies ahead

IT IS obvious to all that, in atmospheric terms, the Reagan-Gorbachev summit in Geneva has gone off at least as well as most people expected, and better than some had feared. The smiles and the handshakes, the extended tête-à-têtes between the two leaders, the joint declaration at the end — these all testify to a shared concern to improve the mood of the relationship between the superpowers. But it also appears there has been little or *no rapprochement* between the two sides on the major issues which have divided them. If the summit should prove to have been a real success, it will only be as the start of a process which will be tested in negotiations in the months ahead.

This is not to underrate the value of atmospherics. In the very short run, the only judgment on this summit which matters, is that of the two leaders themselves. If they have both done their best to ensure a harmonious meeting, and if they have both concluded that it has been useful, then the verdict is unchallengeable: this has been a successful summit.

Moreover, the fact that they *have spent so much more time* in private together than had originally been planned, implies a bonus in terms of personal communication that may well prove an asset in the months ahead. At the very least, each of them must have a much better idea of how the other thinks, and this should prove helpful in assessing what is and what is not negotiable

Finally, while atmospherics may be partly theatre, they are also a real factor in the international situation, and may turn out to be a significant barometer of policy intentions. In comparison with a past characterised over a long period by mutual suspicion and recrimination, almost any improvement in the mood would look like a valuable step forward. In declaratory terms, at least, Moscow and Washington apparently share a desire for better relations, and that by itself will help to reassure

On the major substantive issues, however, little or nothing has been achieved during these two days; or perhaps it would be more correct to say that little or nothing has been settled. The bland and extensive joint declaration consists mainly of a catalogues of the work which ought to be accelerated in various bilateral and multilateral negotiating forums in future, with scarcely any indication that any of these negotiations have actually been advanced by the summit discussions. One cannot exclude the possibility that the talks between experts, which have *been taking place in the background*, may have clarified the issues, and may thus give real momentum to the more formal negotiating sessions. But if so, there is little hint of this in the joint communique.

If there is such a hint, it is in the section devoted to the nuclear weapons talks, which refers to "the idea of an *interim Intermediate-range* Nuclear Forces (INF) agreement." Hitherto the Soviet position on these Euro-missiles has been ambiguous: it seemed designed to include US weapons in Europe in the category of "strategic" systems, while reserving the Soviet SS20 missiles for a possible negotiation with Britain and France. If Mr Gorbachev is now seriously offering a bilateral Soviet-American deal on INF weapons, even on an interim basis, that could be an important step towards a negotiable nuclear weapons deal.

Negotiations

By contrast, President Reagan has not given an inch on the negotiability of his Star Wars anti-missile defence programme, and Mr Gorbachev has made no secret of his disappointment. Yet he probably recognised some time ago that, if Star Wars is ever to be forced on to the negotiating table, it will probably only be at the very last moment, when a deal on offensive nuclear weapons is within grasp. A Soviet Concession on INF could bring that moment a bit closer.

Yet in other respects, the difficulties of the arms control process appear to remain as intractable as ever. The two leaders have agreed to accelerate *negotiations on an effective and verifiable* ban on chemical weapons, and that is good. The trouble is that negotiations on such a ban have long been deadlocked by differences over what is required to ensure verification and compliance, and this difficutly is real, not factitious.

Nevertheless, the Reagan-*Gorbachev summit* will have been enormously worthwhile if their personal encounter can give fresh impetus to the various negotiations. Indeed, it must do so if the new atmosphere of amicability is not to turn sour. Neither leaders can assume that their second summit will be as amicable if it fails to produce a good deal more than their first.

AFTER GENEVA

Regulation, but no abatement yet of the arms race

Mr Gorbachev and President Reagan shaking hands in Geneva yesterday

MIKHAIL GORBACHEV, the Soviet leader, returns to Moscow this weekend announcing that a sustained political dialogue with *the US has started but admitting* that he had achieved very little narrowing of views, still less agreement, on arms control.

Dialogue with the US is significant Mr Gorbachev said, "if followed by practical steps." It is the extent of these steps over the next six months which will decide the Soviet attitude to Geneva.

If there is no extension of the Salt 2 agreement, which expires in six weeks time, no US agreement to abide by the anti-ballistic missile treaty of 1972, as the Soviets interpret it, the new conciliatory tone of superpower relations is unlikely to last long.

The failure to achieve movement towards banning the US Star Wars programme may have disappointed but will scarcely have surprised Mr Gorbachev and Mr Eduard Shevardnadze, his Foreign Minister. Ever since Mr George Shultz, the US Secretary of *State, visited Moscow* at the start of the month, in an abortive bid to narrow differences, it has been evident that the Geneva meeting would contribute little to the control of nuclear arms.

But the Soviets are clearly pleased that dialogue with the other super power has restarted after seven years. The level of rhetoric in the first three years of President Reagan seriously worried the Kremlin to a degree not wholly appreciated outside the Soviet Union.

President Reagan's speech denouncing the Soviet Union as "an evil empire" and an ideological offensive placing Moscow at the centre of American demonology has concerned the Soviet leadership almost as much as the acceleration in the US defence budget. "For us words are deeds," *declared Mr Anatoly Dobrynin,* the Soviet Ambassador to Washington at the end of 1983, explaining the strength of Soviet reaction to this verbal assault, even though Washington did little to translate this new militancy into action against the Soviet Union.

Nor do the Soviets see the summit simply as a way of influencing the view President Reagan and the US as a whole take of the Soviet Union. By going to Geneva and giving his lengthy press conference yesterday, Mr Gorbachev was able to put over the Soviet position on a range of issues to a world audience in a way that his predecessors in the *Kremlin have failed* to do for 20 years.

This exposition of Soviet views leaves Mr Gorbachev well placed to heap all the blame on the US if the present dialogue goes sour because it is not sustained by active measures of arms control.

Soviet commentary in the weeks before the summit indicate that the Kremlin suspects that this is quite likely to happen. In recent days Mr Leonid Zamyatin, the Chief Soviet spokesman at the conference, has expounded the virtues of a better atmosphere between the super powers, the significance of dialogue, and he has down played the failure to agree on Star Wars or arms control.

But Moscow has always seen detente—the better relationship between the super powers *initiated by President Nixon* at the start of the 1970s—as based not on perceptions or atmospherics but on parity in nuclear weapons and the means to deliver them.

Mr Gorbachev was quick to say yesterday that Moscow would not fail to keep up with the US in developing the technology of nuclear war if compelled to do so. He pointed out that the Soviet Union had been able to develop its own intercontinental ballistic missiles (ICBMs) in hte 1960s and put multiple independently targetable warheads (MIRVs) on them in the 1970s.

Throughout the summit Moscow stuck to its position that Star Wars and President Reagan's entire defence programme is aimed at ending this military parity and the political equality based upon it. The fireside chats with President Reagan seem to have done little to modify the Soviet view that this is the ultimate American intent.

But some Soviet specialists on relations with the US argue that a more amicable relationship between Washington and Moscow will make Congress less sympathetic than in the past in funding weapons programmes. In their estimation, Congressional action may be a better bet for getting President Reagan's defence plans cut back than the negotiations on arms limitation in Geneva which this week's summit is meant to boost.

Mr Gorbachev also feels that an explanation of Soviet policy in the Third World and on other topics of dispute may also diminish popular American hostility to the Soviet Union.

He went out of his way yesterday, however, to re-state the traditional Soviet view that the US is wrong in accusing the Soviet Union of formenting revolutions that would have occurred anyway. If, asked Mr Gorbachev yesterday, there is a revolution in Mexico or Brazil "are people going to say this is the hand of Moscow?"

In Moscow Mr Gorbachev's mission to Geneva is likely to be seen as a *qualified success.* His failure to get anywhere on arms control will be blamed on President Reagan. The demonstration of Mr Gorbachev's ability to conduct foreign policy will also strengthen his position in carrying out extensive changes in the leadership in the lead up to the next Communist Party Congress in three months' time on February 25.

But Mr Gorbachev will probably tell the congress, going by the outline of the five-year plan published just before the summit, that the Soviet Union is to increase its allocations for defence. He will say to the new Central Committee, the centre of political power in the Soviet Union, that competition with the US will perhaps be more regulated in future.

But for Moscow the arms race remains at the centre of this rivalry and is likely to continue unabated.

Patrick Cockburn in Geneva

GENEVA FIRESIDE CHATS BRING PROMISE OF A SUPERPOWER THAW

PRESIDENT Ronald Reagan has achieved all he wanted, and perhaps a little more, at what he has taken to calling his "fireside summit" with Mr Mikhail Gorbachev, the *Soviet leader, in Geneva.*

As Mr Reagan headed back to the US after his first encounter with a Soviet leader yesterday, his officials were congratulating themselves that the first signs of a thaw could be detected in the glacial climate of superpower relations that has persisted for most of the past six years.

These, of course, were the same officials who had spent most of the last two-and-a-half weeks playing down expectations for Geneva, and indeed sometimes questioning the usefulness of past East-West summits in general. By lowering its sights, the Reagan Administration ensured that the outcome more or less corresponded with what it had been aiming for.

The relatively minor agreements reached in Geneva, none of them involving a significant policy change by either leader, and the plan announced for future summits, could thus be presented as a good start to a long diplomatic haul, the final destination of which is still unknown.

The "personal chemistry" between the two leaders to which today's White House attaches the highest priority, was clearly better than the Americans had dared hope. Mr Reagan confounded his critics by demonstrating that he could deal sensibly "one on one" with the Soviet leader on serious world issues.

Mr Gorbachev did not stage a public row over the US Star Wars space defence programme, and Mr Reagan responded by not making a big fuss over human rights. No doubt to the disappointment of many of Mr Reagan's supporters back home, human rights were not even mentioned in the final joint statement.

At the end of a total of six intimate private sessions, in which they were joined only by interpreters, Mr Reagan and Mr Gorbachev were still correctly addressing each other as "Secretary General" and "Mr President." While Mr Reagan, according to his officials, turned on his full power of charm and persuasion, there was no Ron and *Mike in Geneva, Mr Reagan's* usual style with Western leaders.

But the life-long anti-Communist Mr Reagan showed every sign of enjoying spelling out in his distinctive style, to the leader of the world's most powerful Communist nation, *the virtues of American* values. From the accounts that filtered from the fireside, no serious Reagan watcher would have been the least bit surprised by what he said.

Mr Reagan turned to the familiar themes that he has sounded in public statements since he first started calling for a "new chapter" in superpower relations almost two years ago. The US had not gone for world domination and a nuclear monopoly after World War Two when it had the chance.

Its intentions towards the Soviet Union were peaceful and it was not trying to change the Soviet system.

The Star Wars programme, so anathema to Mr Gorbachev, had been forced on the US by the Soviet offensive build-up and was purely for defensive *purposes. Mr Reagan* tried, probably without great success, to dispel what emerged as Mr Gorbachev's main fear—that the space systems envisaged will be equipped with offensive nuclear weapons hovering over the Soviet Union like a sword of Damocles.

While the two leaders agreed rather vaguely to "accelerate" the Geneva arms talks, neither side gave the impression that it is yet ready to strike a deal.

The relatively smooth sailing by a wintry Lake Geneva was largely due to Mr Gorbachev's acceptance, presumably before he arrived, that a Star Wars deal — a trade-off between offensive and defensive weapons—was not on the cards. That being the case, he reduced his expectations in much the same way as the Americans and settled for a "friendly" meeting with the hope of doing better in future.

The bonus for Mr Gorbachev from the cosy fireside chats was worldwide recognition of his status as Mr Reagan's equal. The much-publicised intimacy of the conversations underlined that the leaders of the two super powers were doing business on the same footing, and that it was business that only they could do.

Mr Gorbachev willingly agreed with the American analysis that the real value of the summit, in Mr Shultz's favourite phrase, "remains to be seen."

The American view, as Mr Reagan put it yesterday, is that "the real report card on Geneva will not come in for months or even years." Mr Reagan, however, will face an early test of his post-summit intentions in the days ahead, after he reads a report from the Pentagon suggesting ways in which he might want to respond to continued Soviet arms control violations.

That is the second part of the report to which Mr Caspar Weinberger, the Defence Secretary, attached his celebrated leaked letter urging Mr Reagan not to make arms control or Star Wars concessions in Geneva. As the champagne glasses were raised yesterday, it appeared to pass unnoticed that Mr Reagan had consciously or unconsciously taken that advice—and the summit had not been "sabotaged" by the leaking of Mr Weinberger's letter as an irate senior US official had warned last weekend.

The best hope of keeping the Geneva process moving appears to lie in the future summits, and the more regular meetings of foreign ministers, to which both sides are now committed. If the new plan for summits at a rate of roughly one a year spurs the two sides into greater and genuine efforts to solve their differences, Geneva may in the end turn out to have been a more historic turning point than yesterday's rather vapid joint statement suggested.

Reginald Dale in Geneva

German model for the UK

SOME BRITISH ministers may feel flattered by the National Institute's observation in its latest review that Britain's economic strategy is increasingly resembling the policies pursued with varying vigour by West Germany since the 1950s. After all, there are likely to be few complaints about economic management if, in the late 1980s and 1990s, the UK gets anywhere near matching the performance coaxed out of the German economy in the 1950s and 1960s by Professors Erhard and Schiller.

There seems little reason to doubt that UK economic policy is increasingly conforming to the German model. The parallels have become more rather than less striking as British policy has become progressively pragmatic. In the UK, particular measures of the money supply and budget deficit have gone out of fashion but a general commitment to "sound finance" *remains strong—a commitment* that for decades has been taken almost for granted in West Germany. And while the Chancellor's uncompromising declaration (in the Mais lecture) that the primary function of macro-economic policy is to keep inflation low created some controversy among British economists, in Bonn it would have been regarded as a statement of the obvious.

Basic principle

The parallels on the micro-economic side are equally clear. The basic principle of the "Social Market Economy"—that the state should aim to create the conditions in which free enterprise can flourish rather than intervene directly in the market place — is an essential tenet of Thatcherite industrial policy. The fact that the Government, in its privatisation policy and elsewhere, sometimes fails to pursue the avowed goal of greater competition does nothing to destroy the parallel; in Germany, too, actions have often belied principles as is evident *in the generosity of* industrial subsidies.

If "Germanic" policies—the combination of sound finance and the promotion of the free market — can be sustained, might they lead to a German-style economic miracle in Britain? The answer would be yes if they resulted in even a small, but sustained, rise in the UK's growth rate: German living standards are some 30 per cent higher than Britain's simply because on average German growth has been 1 percentage point faster (3 per cent as opposed to 2 per cent) since the mid-1960s. There are, however, several grounds for scepticism; adoption of the German model may not be a sufficient condition for future UK economic success.

Different national psychologies may mean that similar policies have dissimilar consequences in different countries. For example, studies agree that, mainly for historical reasons, there is much greater national sensitivity to the dangers of inflation in Germany than in the UK; thus the output and employment costs of a tough anti-inflation strategy that is not backed by an explicit pay policy are likely to be heavier in Britain — as has been evident since 1979.

A more subtle objection to the relevance of the German model argues that whatever may have been the case in the 1950s and 1960s, there is little now that is miraculous in the West German economy — and *thoerefore comparatively little* that is worth emulating. As the National Institute points out, West German economic growth was below the OECD average between 1960 and 1985; since the 1970s the decline in civilian employment has been roughly double that in the UK,

The charge is that although the German economy remains *disciplined, it is no longer particularly* dynamic or entrepreneurial: the German model can deliver low inflation but offers no guarantee of either rapid growth or high employment. Some of West Germany's recent problems may reflect the erosion over time of the original commitment to pro-competitive, social market *policies. Even so,* in Britain eclecticism may need to be the order of the day; there are also lessons to be learned from the US and Japanese economies which in some respects are more robust than Germany's.

Blakey appeals to private steel

IT IS kiss-and-make-up time in the steel industry following a shake-up this week at the British Independent Steel Producers Association, the private sector body.

John Mountford, who was brought in as director-general from IMI two years ago when Alec Mortimer retired, is out. Ian Blakey, a survivor of several years of contraction at BISPA, takes over. Selwyn Williams, another long-serving BISPA *director, is expected* to leave shortly.

Ever since nationalisation in 1967, relations between the British Steel Corporation and the companies that were allowed to carry on the private sector have varied between cool and hostile. The so-called overlap sectors — areas in which both BSC and private companies competed — have been a particular source of acrimony, with the private companies complaining that BSC's access to public funds has given it an unfair advantage.

But the firestorm of the past ten years in the steel industry has devastated both sides. And there is no longer much will or motive for carrying on the battle.

Plant closures have eliminated much of the overlap and an increasing number of joint ventures between BSC and private companies has taken care of most of the rest. "We now have an ownership pattern that is quite an interesting mix," Blakey says.

Also, the Conservative *government wants* BSC *to* behave like a commercial enterprise rather than like an instrument of national industrial policy.

Blakey is not saying when, or if, all the country's steelmen are going to be reunited in one happy organisation, like the pre-nationalisation Iron and Steel Federation, where he began his career in the early 1960s.

But it is considered significant that Bob Scholey, the BSC chief executive, will be the guest speaker at BISPA's annual lunch next month.

Men and Matters

A reconciliation would also help keep BISPA going. As its membership has dwindled, so has its staff — from a peak in the early 1970s of 39 to a current complement of 11 who seem vaguely out of place in the association's spacious office *in South Kensington.*

Bug-eyed bet

Alan Haikney is taking a gamble with his plan to buy Edgley Aircraft, makers of Optica, the bug-eyed observation aircraft, from the Receiver.

Haikney is a mechanical *engineer, aged 52, who runs* a design firm supplying specialised platforms used to carry technicians and equipment engaged in aircraft repair.

But running a company actually making aircraft is a very different proposition.

"I could have gone on with my existing business making good profits," he says. "This new venture will change all that. I became interested in Edgley because I just like the engineering business."

Haikney was managing director of the engineering arm of UBM, the builders merchants, in Southampton, when it put Aero Docks, a maker of aircraft maintenance equipment, up for sale in 1980.

Haikney says he is unfamiliar with raising finance in the City, but he is learning fast.

When Edgley went into receivership he held back because of the strong competitive interest from at least 20 parties. But when, three weeks later, the company was still on offer he weighed in with a proposition to pay staff wages to keep it afloat while he tried to put together a rescue package.

Haikney bases his business activities on a 13-acre farm in Wiltshire. Last year he established a vineyard and he

"I don't know about détente but it'll do a world of good to sales of fireplaces."

recently obtained planning permission to build a winery.

He hopes to develop the bug-eyed aircraft side-by-side with a sparkling wine.

Banking unseen

One of Wall Street's more publicity-shy banks found itself in the spotlight yesterday at the launch of the £250m Electra Candover buy-out fund. Wertheim and Company rounded up the US investors who are putting up nearly half the money.

Wertheim has $100m in capital and employs nearly 1,000 people but prefers, according to Jim Harmon, senior partner, to operate quietly behind the scenes in the traditional way. Wertheim is 60-years-old, which is a fair age by Wall Street standards.

Although most of its business is in the US, the bank makes a speciality of trans-Atlantic work. It played a key role in the restructuring of Montedison, the Italian chemical giant, by finding buyers for its many divestitures. "We were doing the business long before our competitors were even aware of it," chuckles Harmon.

In Britain, Wertheim led an unusual deal to buy Chappell and Company, the music publishers, for about $100m, in which it and its partners now hold 20 per cent. Aside from bringing Wertheim into an unlikely line of business, the acquisition produced a nice surprise from the archives in the form of a four-page letter from Beethoven begging a friend to get Chappell to publish one of his compositions.

Wertheim has also just extended its links with the entertainment world by being appointed adviser to Goldcrest, the film company part-owned by the Pearson group.

"We see ourselves gradually expanding in the UK," says Harmon. "But size itself is not the goal. The important thing is to create value for investors in the long term."

Not Stalin's day

Unimpressed by the spirit of Geneva tiny Albania has blasted both President Reagan and Chairman Gorbachev for engaging in a "horse trade" at the expense of the peoples of the world.

In its new broadcast yesterday, Radio Tirana failed even to mention the Geneva summit. But in a commentary afterwards, it said the US and the Soviet Union, the "imperialist" and "social imperialist" super powers, were trampling on the rights of peoples while limiting the indpendence and sovereignty of the European countries through Nato and the Warsaw Pact.

The Voice of Albania radio clinched the argument by citing Albania's hero, the late comrade Joseph Stalin, who had *noted that the "peoples must* take the struggle for national independence into their own hands."

Observer

Politics Today

Still the old dark House . . .

Malcolm Rutherford on the surprise vote against televising the Commons

THERE can be little doubt that the vote against televising the House of Commons on Wednesday night was swayed by Mrs Thatcher coming down against.

The vote was very close and relatively large: 275 to 263 out of a House of Commons membership of 650—a majority of 12. Why some 100 MPs did not vote at all is a matter that might be raised with them in their constituency organisations.

Nearly all the early speeches were in favour and from right across the political spectrum: a distinguished opening by Ms Janet Fookes, a Tory backbencher, speaking without notes, Mr Michael Foot, Mr Edward Heath, both former leaders of their party, and Mr John Biffen, the Leader of the House.

Their arguments seemed to me to be impeccable. Mr Foot said that the televising of Parliament was a natural extension of democracy—just like admitting press reports of Parliamentary proceedings in the first place.

Mr Heath said, perhaps slightly over-dramatically—but only slightly—that television and to a lesser extent radio were the only firm guarantees of individual freedom in Britain. "The press, which claimed to be so for so long—is no longer the guardian of freedom. The power of the proprietors of the press has never been greater than it is today."

It was Mr Biffen, on almost all matters one of nature's conservatives, who was the most persuasive. The televising of Parliament, he said, was akin to one of the great reform acts extending the franchise. A Parliament seeking popular support for its authority should not forswear what is probably the most effective popular form of communication, he claimed.

It was a leap in the dark, Mr Biffen went on: "I believe that we have to take that leap, but I remain optimistic enough to believe that this institution can adapt to television, and not be mastered by it."

Technical hitches and difficulties at the start

All the arguments were marshalled in those early speeches, though there was perhaps insufficient stress on the way other democracies faced with the same question of televising their Parliament have easily come to terms with it: notably West Germany.

There would be technical hitches and difficulties at the start. But they would be surmountable. There could be an all-party committee to investigate complaints and accusations of political bias, as happens in Bonn. The essential point is that television can take democracy to the people in the most immediate and convenient way.

The argument about television reporting not being complete is spurious. Newspaper reporting is not complete either; nor is that of sound broadcasting. Hansard, which gives the full parliamentary record, does not reveal all that much of the flavour of proceedings and it is a curiously purist case that anyone who wants to know what is happening in the House of Commons should read Hansard in full every day.

The case for televised proceedings is two-fold: it would allow the electorate to see its elected representatives in action, and there would be no compulsion: nobody would be obliged to watch. It would also add to pluralism. There would be a greater freedom of choice. People could either watch politics on the screen or read about it in the Press, or both. There would be more variety.

And yet Mrs Thatcher — who had let it be known earlier in the year that she was thinking of coming down in favour — voted against. Some of the sheep, who could have quite happily voted the other way if she had prompted them, went with her, so the motion was lost.

It is not the most important question in Britain: far from it. But the attitudes displayed are still quite revealing.

First of all, the vote was a further demonstration of the fact that the House of Commons can only be reformed by itself and that it repeatedly declines to do so. That goes beyond the relatively minor matter of televising its proceedings. The House of Commons has become a deeply conservative place with a small "c." Oddly enough, it only debated television this time because an experiment had already been tried — rather successfully — in the Lords. It is at least interesting that the Lords should be more radical, more ready to note the advantages of new technology than elected MPs.

The point goes further. How is the House of Commons ever going to introduce any kind of constitutional reform: reform of the upper chamber, a more proportional form of representation or whatever? Even on a free vote, a majority of Tory MPs prefer to follow their leader.

The argument about television reporting not being complete is spurious

Indeed one could argue that it is the present very large Tory majority in the Commons —not accurately reflecting the national vote at the last general election — that is part of the problem. There are far too many Tory MPs without much of a role.

One ofthe subjects that they might get down to is precisely constitutional reform: for example, how to introduce a smaller, more efficient House of Commons or some form of proportional representation. But they do not. The House is still very largely stuck in its old ways: lowist pay, minister not sure how to meet their mortgages, odd working hours and general resistance to change. No wonder MPs sometimes think that they are not fully appreciated in the country at large. They have become defensive.

There is another, rather nastier point. One of the elements in Wednesday's debate was a dislike of the television producers, their programmes, their selective editing, the sheer fear of visual broadcasting as a medium. It is illogical because all editing — including the publishing of books and pieces of music — is by its nature selective: the more you have, the more points of view will be available. It is also slightly hypocritical in that most MPs would run a mile in order to appear on a TV show.

It is worth recalling that all British governments have complained from time to time in recent years that the media were against them. Perhaps that says something for the media. In the end, it more or less balances out, though pluralism — the admission of more television channels, for example —would help even further.

Many politicians seem not to have come to terms with this. The present debate over the future of the BBC and how it should be funded is a case in point. It has never been clear how far those ministers who defend the Corporation wish it to be truly independent. What they are saying in the last resort is that the Government must keep a hold of it, preferably behind the scenes. They think that television, in particular, is too powerful a medium to be let loose. The Vatican used to say that about printing.

There was a speech by Mr Norman Tebbit, the Conservative Party chairman, under the heading of the first Disraeli lecture last week. In it he said: "I believe that by the 1990s we shall see the effects of a revulsion against the valueless values of the Permissive Society. The public are demanding stiffer sentences for criminals — and in the end they will get them. They will demand that television producers think about the effects of what they broadcast upon impresionable people — and in the end it will happen."

That is the dark side of the modern Conservative Party, the party which Mr Tebbit said in another speech this week, "now looks not just to the people from every class and background, but from every area and age and colour too."

It is populist, to be sure, but it is still rather chilling. Apart from the in-built and unfair assumption that they do not do so already, how do you make television producers "think about the effects of what they broadcast upon impressionable people"? "We have ways of making you think," perhaps? And anyway who are all these so-called "impressionable" people who, to follow Mr Tebbit's logic, should scarcely be let loose in a library without a censor, let alone have access to a television set? It is both a patronising and a dangerous way of talking. Note again that phrase: "And in the end it will happen."

One hopes not, yet the vote against the televising of Parliament was not entirely helpful, especially since the result seems to have been inspired by the Prime Minister.

There is a curious paradox about Mrs Thatcher: she wants the free play of market forces to set us free economically, but she is opposed to a permissive society outside the economic sphere. The ideal party would offer both market economics and cultural freedom.

Nevertheless, the Prime Minister's vote on Wednesday was a rare blot on her performance in the past few weeks. Mrs Thatcher is attempting what has defied nearly all her predecessors in this country or in any other comparable country in recent years: to come back with a second wind after it seemed that she might have run out of steam.

It defied Harold Macmillan. It defied Edward Heath after the miners' strike and the unfortunate general election of February 1974. Both Valery Giscard d'Estaing and Helmut Schmidt burned out in their different ways in France and Germany. Mrs Thatcher may be more resistant.

What is striking is the way that she is picking up old subjects with new force: Ireland, the continuing attack on inflation, even the Channel tunnel. There does appear to have been a new release of energy. The Conservative Party is, on the whole, more united than before the summer—Mr Peter Walker has even dissociated himself from some of the carping attacks on the Prime Minister made by the now Earl of Stockton—and the idea that she might still be around and in charge at the end of the decade has become distinctly thinkable.

Debate over the future of the BBC

However, those are thoughts for other days. The refusal to televise Parliament was a characteristically British mistake: we do most things in the end, but usually too late.

Lombard

The joys of defaulting

By Anatole Kaletsky

IF it were not so pitiful, it would be almost comic. In response to its greatest natural disaster this century, Mexico is raising taxes, cutting public spending and tightening the monetary screws still further on it crumbling economy. No price is too high, no sacrifice too great, for Mexico to keep faith with its international creditors.

On the other side of the world, the South African government has just unveiled an expansionary economic programme. Tax cuts, lower interest rates, boosts to public spending—South Africa can afford them all, now that bankers have been sent packing for having the temerity to ask for their money back. Meanwhile, in London, the governments of Germany and Japan, to say nothing of Malaysia and Thailand, are cheerfully walking away from the debts of the International Tin Council. Their reasoning is simple. Why waste public money repaying creditors, when their services are no longer needed and they have no way of enforcing their claims?

In the past year or so, as the world has started thinking seriously about this question, the balance of theoretical argument has swung firmly in South Africa's, rather than Mexico's, direction: a country which is unlikely, in the foreseeable future, to receive new lending greater than its prospective interest payments, has little rational incentive to pay its debts.

The saving grace for bankers has been that, so far, serious discussions of default have tended to be written in dry financial jargon of a kind which naturally sinks to the bottom of El Presidente's "pending" tray. This may change this week with the publication of a book by Lord Lever and Mr Christopher Huhne which provides for the first time an analysis of the debt crisis which is not only realistic, but entertaining and accessible to the layman as well.

The book's main conclusions will come as no surprise to many economists and bankers. Massive transfers of resources from poor countries to rich ones are unlikely to be sustainable; eventually the debtors will realise they can enforce a better deal; the huge surpluses which they are now required to generate distort world trade, destroy jobs and provoke protectionism. But where this book really scores — and where it could have a lasting impact on international financial relations —is in exposing the profound involvement of Western governments in the build-up of the debt crisis and, inevitably, in any plausible solution.

The book cites chapter and verse from speeches by Mr Paul Volcker, Sir Geoffrey Howe and other Western statesmen, all pointing clearly in the same direction: the banks should go on lending and developing countries should go on borrowing, secure in the knowledge "debt gets rolled, not paid," as the Brazilians used quite openly to put it. Today, of course, these same luminaries of sound finance have changed their tune. Timely debt payments — in cash — are the highest moral obligation of any responsible (Third World) government. Default would bring immediate disaster, imposing an "economic adjustment" so austere that the IMF would look like Santa Claus.

Unfortunately, they have never explained why a default, which could allow a country to divert foreign exchange from debt payments, would inevitably force a nation to slash its imports — and hence its capacity for domestic growth — in this catastrophic manner. As the Lever-Huhne book reminds us, President Botha of South Africa was not the first to spot this lacuna in the present conventional wisdom. In 1983, Mrs Margaret Thatcher was asked in parliament why she had supported an IMF loan to Argentina. Wouldn't the IMF money allow the country to import more armaments? This is how Mrs Thatcher replied:

"The alternative was that the Argentine may default. If a country defaults on all of its past debts, more money is released for the payment of future arms than would have been the case if she was held to repay her debts of the past. That is obvious."

Debt and Danger, by Harold Lever and Christopher Huhne, Penguin £2.95.

Letters to the Editor

Nuclear testing

From Dr J. Leggett

Sir, David Fishlock's article of Nov 19 showed with admirable clarity how with recent technological advances scientists in America and Norway have prepared the way for verifying a comprehensive nuclear test ban treaty with confidence, provided that the Russians accept the principle of tamper-proof seismograph stations on their own territory. But he argued at the outset that the scientists at the US weapons laboratories at Sandia and Lawrence Livermore who developed the system are eager to share their advances with the Soviets. Evidence has come my way which strongly suggests otherwise.

The Americans lead the world in terms of the rate of testing of nuclear weapons: one test every 18 days on average (as opposed to one every 26 days in the Soviet Union). Why so often? The answer is to be found in a submission to the US House of Representatives armed services committee. Its subcommittee on arms control and disarmament sat on September 18 to hear a series of presentations on the implications of a comprehensive test ban for US national security. Roger E. Batzel, director of the Lawrence Livermore Laboratory, testified before it.

A Comprehensive Test Ban Treaty (CTBT) would not be in America's national security interests, argued Batzel, and for a variety of reasons. This, coming from the director of one of the two weapons labs, demolishes the notion that all advances in verification technology are greeted with eagerness, let alone that US weapons scientists are keen to share recent advances with their Soviet counterparts. Chief among Batzel's objections was that ". . . weapons were designed under the assumption that nuclear testing would continue . . .". Warheads were designed, it seems, for their performance, not for their ability to sit in the stockpile without transforming into damp squibs. ". . . The designs would have been very different . . ." he said, ". . . if the guidelines from the Government had placed primary emphasis on stockpile longevity . . ." And so they need to be pulled from the shelf on a regular basis to see if they still work.

A sinister implication instantly arises as we read these words. The US promised 15 years ago to implement a CTBT, as did the UK and USSR, when they signed the Non-Proliferation Treaty (NPT). The Russians have recently been professing that they want one. The Americans and British, despite a brief flirtation with negotiation between 1978 and 1980, have consistently maintained that only problems with verification have stood in the way of their wish to fulfill their promise to the 80 per cent of the UN who signed the NPT. Many of the NPT Governments have argued that the US and the UK are simply using verification as an excuse for not reopening negotiations so that they can continue testing. Batzel's testimony about his instructions from Government concerning weapons-design would seem to suggest that this has indeed been true, and of successive American administrations.

His catalogue of objections to a CTBT continued, but interestingly did not stress the verification "problem." Indeed, in referring briefly to the recent developments in high-frequency monitoring which Mr Fishlock described so well, Batzel's conclusions were not that different from the current appraisals of the optimists: 25 internal stations for adequate confidence according to a recent analysis by two renowned American seismologists, ". . . 30 or more . . ." according to Batzel in his House of Representatives testimony. The Russians agreed to 10 onland seismograph stations when the test-ban negotiations were last broken off, in 1980. How will we ever know how many they might agree to today, or what their reaction is to the highly promising technological advances in confident monitoring, if negotiations are never reopened?

(Dr) J. K. Leggett.
Imperial College of Science and Technology,
South Kensington, SW7

Not in front of the voters

From Mr C. Dawson

Sir,—"Not in front of the voters, dear," seems to be the House's decision, as reported by Peter Riddell (November 21). What a wasted opportunity. The vote, narrow though it was, implies that the business of government is too important to let the electorate watch it happening. Too many MPs seem to have missed the fact that radio coverage, which they seem comfortable with, does their image more damage than TV ever could: it faithfully reports all the zoo noises, without the reassurance of accompanying pictures to show that the honourable members are not in fact climbing up the walls shaking their fists.

We will now have to await another election before TV again has a chance to give the democratic process a shot in the arm.

More in sorrow....
Charles Dawson.
Rutland,
Willingdon Lane,
Jevington, E. Sussex.

Manufacturing capacity

From the Director Home Affairs,
Association of British Chambers of Commerce

Sir,—We are grateful to Mr Sushil Wadhwani (November 8) for drawing attention to the vexed question of the decline in UK manufacturing capacity. The Lords' select committee on overseas trade did not investigate this matter at length, but made a somewhat confusing reference in their otherwise excellent report to an estimate by the ABCC that "the assets and capacity of manufacturing industry fell by 24 per cent" between 1980-1983.

Since the Chancellor of the Exchequer referred to this episode in the last day's debate on the Address and since other people are now attributing to the ABCC this precise figure of 24 per cent for the capacity decline in manufacturing industry as a whole, may I set the record straight? In our publication "British manufacturing decline 1975-84," the author of the "overview" discussed the value of published accounts as an indicator of capacity. To illustrate, he examined the current cost accounts of one major UK engineering firm which appeared to show a decline of only 3.5 per cent between 1980-1983. He points out, however, that "each year's assets are shown in that year's money," and only when the figures are adjusted into constant value pounds does the total of 24 per cent decline emerge for that one firm. We certainly did not seek to generalise.

To be fair to the select committee, those, included the Chancellor, who have quoted from the report, have jumped from the statement "the committee has received devastating evidence from the ABCC" to the 24 per cent capacity figure five lines on, whereas this "devastating evidence" really describes the decline in output in manufacturing as a whole and in the various sectors. Further, the select committee was only able to publish an earlier version of "Manufacturing decline"; the final version includes references to Dr Bill Robinson's work which estimates the amount of manufacturing capacity scrapped since 1979 at £15bn.

Nobody has questioned the fact of lost capacity; the Government statistical service might address itself to publishing a detailed analysis using the full range of data to which it has access.

D. J. Nicholson.
212a Shaftesbury Ave, WC2.

Prosecution for fraud

From Mr R. Giddy

Sir,—It is encouraging to see that Sir Nicholas Goodison is urging tougher action against City fraud (November 16). If Mr Tebbit's plea for a new morality is to have any credibility at all, a start will have to be made in the area of commercial fraud. Unfortunately this is notoriously difficult to prove in the courts.

I have had some experience of instructing lawyers in cases of Revenue fraud and it has been my experience that some solicitors, and more particularly barristers, simply do not understand figures and find the time consuming and painstaking preparatory work associated with these cases to be boring and unrewarding. If one is lucky enough to encounter one of that rare breed, Counsel who not only understands the case, but can put it across, the next hurdle is to find a judge who does not find figures tedious and abstruse. The training and experience of the average barrister is not always the best background for understanding what goes on in the City.

There is an urgent need for greater specialisation in both the Bar and the Bench and there may be a case for a system of expert assessors to assist judges in cases such as these. Finally—the political will to prosecute is paramount.

R. V. Giddy,
18 Ash Tree Close,
Surbiton, Surrey.

Joining the EMS

From the Director-General, Confederation of British Industry

Sir, — Samuel Brittan (November 14) need have no fear — I have been keeping my eye very closely on the relationship between sterling and the D-Mark. If I momentarily lost sight, it was not because my back was turned, as he suggests, it was more the brilliance of the flash at his sudden conversion to our joining the European monetary system.

Akin to St Paul's conversion on the road to Damascus perhaps? Still we should surely rejoice at even one sinner repenting!

(Sir) Terence Beckett.
103, New Oxford St, WC1.

FINANCIAL TIMES

Friday November 22 1985

FININVEST REVEALS PLANS FOR TELEVISION IN FRANCE, EUROPE . . . AND THE WORLD

Italy's 'Mr TV' airs his strategy

BY ALAN FRIEDMAN IN MILAN

"FOR THE FIRST time the wind of innovation is blowing from the south to the north of Europe. Today we Italians have brought our European supremacy in television to France – from there we will move on to Spain, England and Germany."

Mr Silvio Berlusconi, *the Italian* television magnate who, in a partnership with Mr Jerome Seydoux, was this week granted the licence to operate the first commercial television network in France, was in a triumphant mood when he made his "Today France, Tomorrow the *World" declaration on Wednesday* evening.

Looking rather like a tanned television presenter in his double-breasted, pinstripe suit, the man *who in the past five years has* thrashed Italy's state television networks took hold of a microphone and began telling more than 100 journalists about his vision of the future.

Being in such a good mood ("I can hardly believe the news. It's extraordinary"), *he also did* something he has consistently refused to do in the past: he revealed profit and turnover figures for his master Fininvest holding group.

*Fininvest controls Mr Berlusco*ni's three Italian commercial televi*sion networks – Canale 5, Italia Uno* and Rete Quattro. It will have a 1985 consolidated turnover of "more than L2,000bn" ($1.1bn) and has activities which, aside from television, include housing estates, shopping centres, software companies and newspaper and magazine publishing.

Mr Berlusconi is a controversial figure, in both France and Italy. In Italy, where the present law makes it illegal for anyone but the Government's Rai state network to operate a bona fide nationwide service, Mr Berlusconi uses a complex system *of couriers to shuttle videotapes to* 800 of his own relay stations in order to create the illusion of a national network.

In repeated surveys, the Berlus*coni networks have overtaken state* channels in terms of both viewers and advertising. The success of Berlusconi television is based on a mixture of American soap operas, sports, quiz shows and variety shows featuring near-naked women.

Mr Berlusconi is controversial for two other reasons: one is that he is a close friend of Mr Bettino Craxi, the Socialist Prime Minsiter whose daughter, Stefania, works as a re*porter for Canale 5; the second is* that Fininvest has never published *a balance sheet and Mr Berlusconi* has never until this week, revealed net profit figures.

But at his press conference on Wednesday, pressed by questions about his finance, Mr Berlusconi said the 1984. Fininvest net profit was 8.2 per cent of turnover of *L1,128bn ($641m). That comes to* L92.5bn ($52.6m). Asked how Fininvest's 1985 turnover could have almost doubled to more than L2,000bn, Mr Berlusconi grinned and said there had been acquisitions and besides that, "we are clever and doing well."

The ebullient Mr Berlusconi denied that politics had anything to do with his winning the French television channel, plus a 40 per cent stake in a French satellite channel which will be Europe-wide.

For a man who speaks of a "new European television which can go out and conquer the world as American television has done," Mr Berlusconi *seems somewhat defensive.* For example, he reacted to criticism in a pained voice when he said: "I *have been portrayed as the Trojan* Horse of American commercial television. The opposite is true."

He also spoke in wounded tones of Italian press reports that he was attempting to barge his way into Mediobanca, the Milan merchant bank which *is at the centre of a* state-private sector power struggle. "I have been invited to become a shareholder of Mediobanca, but I have not made up my mind yet," he declared.

Then, changing tack, his declarations sounded more Napoleonic: "This is not just the beginning of a new era in French television; it is the start of a European television network." He said he was pleased that in winning the French deal his talents *had been recognised by* "the third atomic power in the world."

Soon, he hoped, his "contacts" in Spain would led to a similar deal for a new Spanish commercial channel. *In fact,* Fininvest has already bought the largest television studios in Madrid and is sending a large number of staff to Spain.

What sort of man is the 48-year-*old Silvio Berlusconi? He is some*one whose entrepreneurial talents are beyond dispute, who will soon publish his first balance sheet and who meanwhile is busy transform*ing himself from the property de*veloper of his origins into the "Mister European Television" of his dreams.

Controversy notwithstanding, the *Berlusconi* strategy appears to be working.

Banks in Italy face heavy bills for back tax

By Our Milan Correspondent

MORE THAN 50 leading Italian and foreign banks are facing heavy back-tax assessments dating from *1979, totalling hundreds of millions* of dollars. The assessments, made by so-called "super tax inspectors" in Milan, mainly concern earnings from interest on interbank deposits *held abroad by Italian-based institutions.*

For 1979 alone, the back-tax charges for 55 banks total more than L200bn ($114m) including penalties. In some cases, the charges also relate to the valuation of foreign-held assets and liabilities and *forward transactions on the foreign* exchange market.

Banca Commerciale Italiana, Italy's second largest bank, faces the heaviest potential back-tax bill. It is one of the most *active international* banks and thus has sizable overseas deposits which provide interest income.

There was hope yesterday, however, that the various banks might succeed in fighting the assessments after a favourable judgment on *Wednesday by a Milan tax tribunal* in the case of Chase Manhattan and Chemical, two of the largest US banks.

Chase and Chemical had been assessed for taxes and *penalties* of L85bn and L15bn respectively for the years 1976, 1977 and 1978. The two banks contended that the assessments were based upon a misinterpretation of the 1973 tax reform law and succeeded in persuading the Milan magistrate to rule in *their favour. Other banks now hope* that the Chase-Chemical decision will set a precedent.

Mr Giuseppe Deiure, a leading tax lawyer who represents six of the 55 banks being fined, said yesterday he feared the battle was not over. "The decision is not final. The tax authorities are appealing. I am defending the banks on technical grounds, but put in other words this is an illogical and impossible situation."

One *senior* foreign banker said: "If these taxes are really levied, it could be a major disaster for us, and we could just as well close down our business in Italy." He *added, however, that he was* optimistic the assessments would be withdrawn.

The crux of the issue is that tax inspectors in Milan decided that un*der Article 26 of the 1973 tax reform* law any Italian-based bank earning interest income on deposits held outside the country should have paid a 15 per cent withholding tax. But the law refers only to banks acting as an *agent* for someone earning such interest – a bank hold*ing interbank deposits cannot be an* agent to itself.

"This is not a question of tax evasion. We have paid our taxes over the years. This is an issue of overzealous interpretation," explained one banker.

The Italian Bankers' Association (ABI), has held a series of meetings in recent weeks to co-ordinate action on the matter. Yesterday both ABI and several bankers stressed that the Chase-Chemical judgment *should, in theory, become a prece*dent which would block the threatened levies.

Even Dr Carlo Ciampi, governor of the Bank of Italy, last May mentioned in his address to the annual meeting of the central bank the "need to clarify these guidelines." *Mr Bruno Visentini, the minister* responsible for tax matters, said in Parliament on October 9 that there were "doubts" about the assessments and promised to study the matter.

While the Chase-Chemical ruling this week could function as a precedent for future judgments, it was learned yesterday that inspectors in Florence and Turin were follow*ing the example of their colleagues* in Milan. It is understood, for example, that Britain's Barclays Bank is also being audited by tax inspectors.

It appears that, while the banks have a solid argument against the assessments, the issue will drag on *for many more months*

THE LEX COLUMN

A question of proof at DCL

Distillers remains its own worst enemy. The group's insistence that neither the timing nor the content of yesterday's *interim statement* had been influenced by the threat of a bid from Argyll would have stretched the London stock market's credulity in any circumstance. *A company which advances the pu*blication of its results, reports a 50 per cent increase in profits, declares a pension contribution holiday and helps its figures through a change in accounting treatment is bound to arouse a little suspicion.

But DCL did not stop there. The *statement was accompanied by the* customary threadbare analysis of divisional performance, making it impossible to judge where the remarkable profits growth had arisen. The group accepted that the absence of the dock strike, the posting of price increases and the accelera*tion of sales ahead of a rise in US* federal excise tax had all played a part in the profits gain. More rapid stock liquidation must also have contributed to the collapse in the interest charge. None of this, however, was spelled out. In the absence of clearer information it is *possible* to argue, as no doubt Argyll will, that DCL has shown no underlying improvement in its trading performance at all.

More damaging still, the short*comings of the interim statement* are bound to affect the credibility of any full-year profit forecast. Even making allowance for the pension holiday and some small growth in underlying consumption, the second half does not look too bright. The dollar is moving the wrong way; the exceptional 20 per cent growth in first half US volume is certain to unwind and margins in the home trade remain under pressure. But, by yesterday evening, the *market was prepared to believe* almost any figure for the full year. Interim profits of £124.3m could be transformed into a preliminary result of £280m or, if really pushed, £300m. *As a trading statement* yesterday's announcement was uninformative to say the least; as a defence document it was worthless.

BP

This is BP's year. While Shell *turned in its worst third-quarter* result in stockbroker memory, BP has produced its best set of quarterly results ever; and at £477m of net income, excluding *some smaller* than expected stock losses, they are a full 50 per cent higher than the third quarter of 1984.

Of course, Shell is now bearing *the costs of the reform of its down*stream operations above the line, while BP is reaping all the benefits and is likely to shove its extraordinary costs (including the cost of cleaning up the minerals business) below the line in the fourth quarter.

Equally, it really was a dream quarter for refining with a weakening dollar cutting feedstock costs and a wide spread of price on the barrel. None the less, a contribution from BP Oil International of £153m, *or more than the whole of last year,* was an excellent performance whatever the trading gain from foreign exchange operations. *And* as for Sohio, the purchase of the Gulf refining and marketing assets is proving to have been timed to perfection.

The share price rose 13p to 605p amid a flurry of revised forecasts: £1,700m is on the cards on a replacement cost basis, while the spot market rally should reduce stock *losses for the year. Those advising* the switch to Shell, on the basis of greater downstream progress and a fairer fight on the dividend next year, have been given pause.

Beecham

Beecham was caught in an uncomfortable dilemma by yesterday's announcement of its Norcliff Thayer acquisitions. Expressions of confidence are by now treated with the most pronounced scepticism by the financial institutions; yet Beecham needs so desperately to improve its image that it can scarcely play down the potential benefits of a $395m deal.

So the group took its courage in both hands and forecast that Norcliff Thayer would make a positive contribution to earnings a share in 1986–87. That looks a bold assertion. The US company's margins have flipped up – to an astonishing 28 per cent – in advance of the dis*posal and operating* profits will need to advance by at least 30 per cent next year if the combined interest and goodwill amortisation costs are to be *safely covered.*

Assuming that Beecham sells the speciality chemical company which comes with Norcliff for around $30m it will have paid 2.8 times annual sales for a *company with a* proprietary drug portfolio that is sound but not exactly exciting. If all goes as Beecham hopes, Norcliff Thayer will double the profits of its North American toiletries and over-the-counter business at a stroke. But the price being paid does not make *much* allowance for the unforeseen tummy upset.

Burton

The last set of figures to emerge from the pre-Debenhams era *showed Burton on its best form.* In the year to August, pre-tax profits rose by two fifths to £80.2m, exceeding Burton's public *forecast* by a conventionally decent margin. Burton's established recipe for growth was working well; a 32 per cent increase in sales was more than half accounted for by extra space, but there was a healthy rise in volume and in net margin. This backward glance did no harm to the share price, up 15p to 623p yesterday; but *for the future it may be of more* importance that London markets now appear to have digested the extra shares issued in pursuit of Debenhams and are pushing Burton's rat*ing upwards once more.*

Although Burton is more than 70 *per cent geared, with over £200m of* net debt on its balance sheet, the last thing anyone wants is a hasty post-bid liquidation of Debenhams' retail asset base. Burton would cut a pretty poor figure if it were immediately to turn Harvey Nichols, say, into cash which will not be absorbed in rebuilding plans for another 12 months at least. Indeed, there should be a positive cash contribution from Debenhams this year, on the modest capital budget *Burton is allowing.* While debt reduction may be more gradual (and the interest charge higher) than expected, Burton should still make around £145m this year without too *much difficulty.*

Distillers' profits rise 66% to £124m

By Lionel Barber in London

DISTILLERS, the Scotch whisky combine under threat of a hostile £1.5bn ($2.16bn) takeover bid from Argyll, the UK supermarkets group, yesterday reported a 66 per cent *rise in interim* pre-tax profits to £124.3m for the period to end-September.

But the good results, brought forward by Distillers by four weeks in anticipation of an Argyll *bid,* met with considerable scepticism in the market.

The whisky giant's shares, which touched 503p yesterday morning, fell back to 495p last night, down 3p on the day.

Several brokers said the results had been inflated by a series of exceptional, one-off gains which belied the still sluggish recovery in the world whisky market.

Mr John Connell, chairman, conceded that the results had been affected favourably by buying in the US ahead of an increase in federal exise tax, a group price increase and a *UK* docks strike which pushed some large whisky export shipments into the second half. The deferred payment on these whisky exports is estimated to be worth *about £8m* pre-tax.

"But these are not the full story," said Mr Connell, who described the group's figures as "outstandingly good."

Argyll, which has been told by the UK Takeover Panel that it cannot launch a bid for Distillers until at least December 2, declined to comment on the whisky group's re*sults. "It would not be appropriate* for us to say anything at this stage" said Mr David Webster, finance director.

Group exports of Scotch whisky worldwide rose by *19* per cent in volume and 27 per cent in value, compared to the corresponding period last *year. Distillers'* trading profits, meanwhile, rose from £79.5m to £111.9m.

Mr David Connell, managing director of the group's Johnnie Walker company and a main board director, said special factors had been responsible for around 60 per cent of the volume growth in Scotch whisky exports.

Asked if 60 per cent of the growth in trading profits could also be linked to these special factors, Mr Connell said: "In the broad order of things that could be right."

See Lex; *Background, Page 20*

Foreign investors call the tune in German capital markets

BY JONATHAN CARR IN FRANKFURT

THE sharply rising importance of foreign buyers in the West German bond and share markets is underlined by the Bundesbank in its latest monthly report, published *today.*

The central bank points out that in the first nine months of 1985, more than a third of net German bond sales, totalling DM 60bn (*$23bn*), went *to investors from* abroad.

Foreigners as a group have thus become the single most important market factor, buying more German bonds than either domestic banks or non-banks, the Bundesbank comments. As recently as *1983, the foreign share of the bond* market was only 12 per cent.

The increase in foreign buying reflects above all the success of official German efforts to encourage *capital inflows by abolishing the* so-called "coupon tax."

Until its abolition in October last year, foreigners had to pay tax at a rate of 25 per cent on the interest they received from German domestic bonds.

In the 12 months since abolition, *the Bundesbank notes, funds from* abroad invested in German bonds rose to a record DM 31bn – three-quarters of that going to public sector issues.

The central bank welcomes this development as a "clear sign of the integration of the German bond market in international markets." But it also notes problems.

Foreigners tend to react more sharply than domestic investors to short-term interest and exchange rate changes, the Bundesbank laments. In other words, capital movements in and out of Germany have become more volatile, posing new problems for monetary policy.

Apart from investing in bonds, foreigners also gobbled up a net DM 8.3bn worth of German shares in the first nine months – more than twice as much as in the whole of 1984. This was a major factor in this year's stock market boom, with share prices rising on average by 40 per cent in January-September.

The Bundesbank has also revealed for the first time one key reason for the improved West German current account balance in September – an unusually big injection of funds from the European Community budget.

The Germans received a payment from Brussels of DM 1.8bn (the biggest monthly figure for years) and had to pay only DM 1.4bn. This left a surplus of DM 400m, against a deficit of DM 800m in August and one of more than DM 1bn in July.

West Germany is normally a heavy net contributor to the EEC budget. The Bundesbank said the surplus in September was due to a coincidental bunching of payments to Germany.

HK set to end bank secrecy

Continued from Page 1

ship of banks. A representative of the Hong Kong Society of Accountants would have a seat on the local deposit-taking and banking advisory committees as part of an *attempt* to win greater co-ordination between bank auditors and Hong Kong's banking supervisory authorities.

Controversies linked with setting up a deposit insurance scheme, and with breaking down the territory's *three-tier system of banks,* licensed deposit-taking companies and registered deposit-taking companies, have been side-stepped for the time being in the hope that the bank reforms can be approved more speedily.

The proposals now approved by *the executive council have their* roots in a Bank of England inquiry in spring 1984 into the collapse of the Hang Lung Bank and the weaknesses in local banking supervision that made it possible.

Detailed reforms have been debated publicly since early this year. The momentum for reform was given added impetus when the locally *incorporated Overseas Trust Bank* collapsed in June. The proposals are now being drafted into a bill, which the Government hopes to put on to the statute book by April.

An official in the Banking Commission yesterday described the proposals requiring banks to reveal the identity of nominee shareholders as "a fairly innovative approach." Banks refusing to give the commission such information would have to make provisions against its exposure to these nominees. A law is to be drafted limiting exposures to the creditworthiness of a single borrower, and foreign companies will for the first time be subject to these changes.

Anyone acquiring 10 per cent or more of the shares in a bank would have to get the commissioners approval, and banks would have to keep a register of its shareholders open for public inspection.

The Banking Commission is proposing a capital adequacy ratio of at least 5 per cent, with risk assets being divided into four categories of "riskiness," each with its own weighting. Higher ratios can be *called for* by the commission.

By hiving off the controversial issue of deposit insurance – raised after the expensive government rescue of Overseas Trust Bank and its *subsidiary, the Hongkong Industri*al and Commercial Bank – the Government aims to speed passage of the bill through Hong Kong's legislature.

Officials insist, however, that this issue – and that of rationalising the territory's three-tier banking structure – are still under consideration, with proposals for reform planned for a later date.

Dáil approves accord on N. Ireland

Continued from Page 1

agreement should be given a chance to succeed.

However, only Miss Mary Harney, a back bencher, defected to the *government side. She will lose the* Fianna Fail whip as a result and may face expulsion from the party.

The debate was conducted in a calm atmosphere throughout, with *both sides keen to avoid rancorous* exchanges over such a sensitive issue.

Winding up for the Government, Mr Peter Barry, the Irish Foreign Minister who will lead the Irish team on the inter-governmental conference set up under the agree*ment,* said Unionist leaders were misleading their people in a dangerous direction by opposing the accord.

"The Irish Government has no designs on the North. We have no desire to have dominion over the Unionist people. This agreement does not confer such a power on us, either directly or indirectly," he said.

Mr Barry praised Mr Haughey for adopting a conciliatory tone during the debate but criticised his "*blinkered" opposition.*

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	7	45	Dubrovnik	C	14	57	Malaga	S	15	59	Salzburg	C	1	34
Akrotiri	S	24	75	Faro	S	16	61	Malta	F	18	64	Seoul	C	11	52
Algiers	C	12	54	Florence	R	6	43	Manila	C	30	86	Singapore	F	30	86
Amsterdam	Sn	1	34	Frankfurt	Sn	-1	30	Miami	C	27	81	Stockholm	C	-2	28
Athens	C	21	70	Funchal	S	20	68	Milan	R	3	37	Strasbourg	Sn	-1	30
Bahrain	S	26	79	Geneva	C	0	32	Moscow	C	-7	19	Sydney	F	21	70
Bangkok	S	33	91	Gibraltar	F	16	61	Munich	Sn	-2	28	Taipei	S	26	79
Barcelona	S	8	46	Guernsey	R	6	43	Nairobi	C	27	81	Tangier	F	15	59
Beirut	C	27	81	Helsinki	C	-6	21	Naples	F	12	54	Tehran	-	—	—
Belgrade	S	7	45	H. Kong	R	22	72	New Delhi	S	26	79	Tel Aviv	S	26	79
Berlin	Sn	-3	27	Innsbruck	Sn	1	34	New York	R	24	75	Tenerife	F	22	72
Biarritz	C	4	39	Inverness	C	3	37	Nice	C	10	50	Tokyo	S	18	64
Blackpool	C	5	41	Istanbul	S	14	57	Oporto	F	10	50	Toronto	C	10	50
Bordeaux	C	1	34	Jersey	R	5	41	Oslo	C	3	37	Tunis	C	15	59
Brussels	Sn	-1	30	Jo'burg	S	26	79	Paris	C	-2	28	Valencia	S	11	52
Budapest	C	5	41	Las Palmas	F	22	72	Prague	Sn	-1	30	Venice	C	4	39
B. Aires	R	22	72	Lima	S	21	70	Reykjavik	R	8	46	Vienna	C	1	34
Cairo	S	24	75	Lisbon	S	11	52	Rio de J'o	C	32	89	Warsaw	C	-2	28
Cape Town	S	22	72	Locarno	R	5	41	Rome	F	10	50	Zurich	Sn	-1	30
Caracas	C	28	82	London	C	5	41								
Casablanca	C	18	64	Los Angeles	S	21	70								
Copenhagen	C	1	34	Luxembourg	Sn	-3	27								
Corfu	F	19	66	Madrid	S	5	41								
Dublin	C	5	41	Majorca	F	12	54								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

More summit meetings agreed

Continued from Page 1

tiating any restraint would be even more problematic."

Mr Reagan, however, gave no ground on Star Wars and sought to reassure Mr Gorbachev that any new US space weapons would be for defensive purposes. There was "*no give on that at all," said* Mr George Shultz, the US Secretary of State.

Mr Reagan, on the other hand, appeared to have failed to secure any Soviet concessions on the sensitive issue of human rights, despite raising the subject lengthily in his private talks with Mr Gorbachev.

The US side welcomed an agreement, formally recorded in the joint statement, that there should be a separate interim pact on intermediate-range nuclear weapons, as first hinted at in the latest Soviet arms *control proposals* tabled in Geneva last month. The two leaders also endorsed the principle of 50 per cent reductions in their offensive strategic weapons "appropriately applied."

US officials said that those two commitments came as close as the summit could to agreeing a new set of guidelines to the Geneva talks, in which the two leaders called for "early progress."

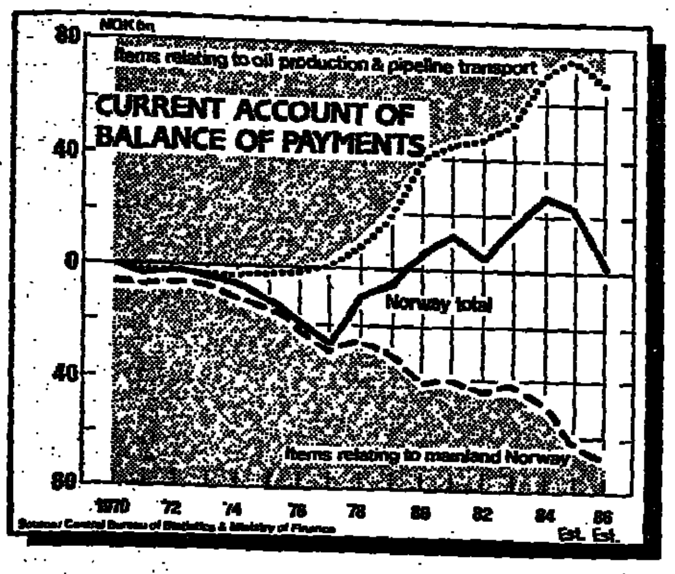
Mr Reagan and Mr Gorbachev both cautioned that the real value of the Geneva summit could only be assessed in the light of each other's future behaviour. "The real report card on Geneva will not come in *for months or even years,"* said Mr Reagan.

Mr Gorbachev said that a start had been made in normalising relations, but that the new superpower dialogue envisaged would only be significant if "followed by practical steps."

Under the agreement reached in Geneva yesterday, the two further summits are to be supplemented by regular meetings of the two countries' foreign ministers, perhaps as frequently as every six months.

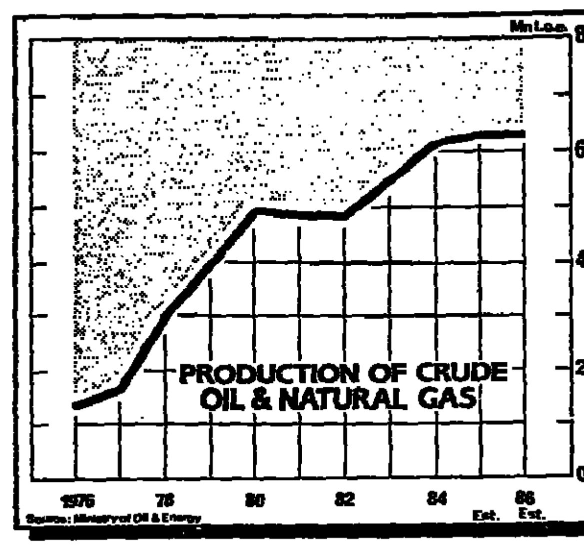
SECTION III

FINANCIAL TIMES SURVEY



NORWAY

EXPORTS TRADE ECONOMY



Oil has accelerated the transformation of Norway from the poorest European economy to one of the richest in a couple of generations. But the new wealth has also brought political conflict over how—and when—the income should be spent.

Problems of sudden wealth

By KEVIN DONE, Nordic Correspondent

NORWAY IS something of an exception. It is the only country in the OECD that has recorded a surplus on the balance of payments and in the Government budget in each of the past five years.

In the 1920s it was the poorest country in Europe. Today few countries in the industrialised world are generating as much wealth per head of the population.

The transformation is remarkable. For 27 years it has recorded a growth in gross domestic product (GDP) without a single year of decline. The country's rapid development—it is still only 80 years since it achieved full independence with the break-up of the union with Sweden—was clearly well under way before the first discovery of oil and gas in the North Sea. It is the petroleum resources on the Norwegian continental shelf, however, which have allowed the country to continue to develop so rapidly during the past decade.

The country has problems, inevitably, but they are largely to do with coping with the wealth that is being generated in the North Sea oil and gas fields. There is an awareness in some circles of the acute dangers of catching the Dutch disease—of generating both wealth and unemployment—but the general election in September showed that there is little stomach among Norwegian voters for such a message.

Other countries would perhaps envy Norway its problems, but Mr Kåre Willoch, the Norwegian Prime Minister, insists that, "it is not easy to be an oil country or to manoeuvre with an enormous surplus on the balance of payments."

Mr Willoch, Conservative Prime Minister since 1981, held on to power by the narrowest of margins following an election campaign that was dominated by the issue of deficiencies in Norway's health and social services. The Labour Party, which until 1981, had dominated post-war Norwegian politics, made impressive gains with a platform which called for "new growth for Norway," and which promised increased spending to deal with the waiting lists for hospital beds and to improve services for the elderly and the handicapped.

In the general election the Socialist bloc — the Labour, Socialist Left and Liberal parties—actually won a bigger share of the votes than the four non-Socialist parties, but Labour was cheated of victory by the distortions of the Norwegian electoral system.

The Conservatives lost three seats in the 157-member parliament while Labour gained five.

The three-party coalition has quickly learned the lesson of such a near-defeat and in recent weeks has presented one of the most expansionary budgets of recent years. Appropriations to health and social services through the national insurance budget will be increased by 12 per cent.

The general election has left a precarious balance in the Storting, the Norwegian Parliament, with the maverick right-wing Progress Party holding the whiphand. The three coalition partners—the Conservatives, the Christian Democrats and the Centre Party—hold 78 seats, Labour, the largest single party, and its Socialist Left ally hold 77 seats with the balancing two seats held by the Progress Party and its unpredictable leader Mr Carl I. Hagen.

Mr Hagen, whom the coalition could afford to ignore for the previous four years, is clearly out to use his new political muscle and has taken the first opportunity, namely the budget, to test the Government's nerve. On the revenue side he has proposed doing away with several taxes including income tax altogether. In a vote on the Government's taxation plans he finally fell into line and voted for the Government's proposals on the grounds that they were better than Labour's even higher taxes, but on the expenditure side the procedure might not prove quite so easy.

The tiny Progress Party is also in favour of higher spending on the elderly, the sick and the handicapped and has threatened to vote with Labour on these items.

The crucial budget vote is due on December 17. Mr Willoch has warned that if "substantial" changes are made further to boost public spending he will resort to making the budget a vote of confidence in his Government.

Mrs Gro Harlem Bruntland, the Opposition leader, whose drive and energy in the election campaign brought Labour to the brink of victory—despite the economic boom that was already well under way — is keen to make it clear that the coalition is forced to depend on the votes of the Progress Party, an uncomfortable position particularly for the Centre and Christian Democratic Parties. Despite the highly delicate political balance she believes the Government will survive, unless one of the coalition partners were to desert and decide to support Labour in the Storting.

"The most probable course of events is that in some way the three parties will manage to function on the basis of this narrow majority with the Progress Party," she says.

While Labour — and the Progress Party — will keep up the pressure for increased spending supported by the oil revenues, the Government is seeking to keep the inflationary pressures of such demands under some sort of control in the awareness that the international competitiveness of Norway's mainland industries is constantly under threat.

Norwegian economic policy has been more expansive than the average for the industrialised countries and for the other Nordic countries. A high level of domestic demand has been allowed through the 1980s as part of the policy for full employment. Bolstered by rising oil revenues such policies have been possible without their leading to a sharp financial weakening of the state budget or to a burdensome deficit on the current account. They have meant, however, that Norway has tended to be more prone to inflation, that it has greater problems in controlling cost levels, and that its competitiveness has been deteriorating steadily for the past 15 years.

Unit labour costs since 1970 have risen about 35 per cent more in Norway than in its major trading partners.

The problem has abated in the past couple of years, but in the 1986 budget the Government warns that if the deterioration is met—as in the mid-1970s—with an expansionary fiscal and credit policy, "we would risk entering a vicious circle where we become increasingly dependent on high and rising oil revenue."

As the latest budget shows there is no clear evidence that the country wants to break out of such a vicious circle. Since Norway became a net energy exporter 10 years ago oil and gas have become an integral part of the economy "upon which traditional sectors and society at large have become highly dependent" says the OECD.

- The oil and gas sector now produces more than 18 per cent of Norway's gross national product.
- About 20 per cent of gross capital formation in Norway takes place in the oil and gas sector.
- Oil and gas exports now account for more than a third of all Norwegian exports of goods and services, and for half of total exports of goods.
- Less than two-thirds of non-energy imports are now financed by traditional exports.
- The petroleum sector contributes around 15 per cent of Norway's net national income and of this around 60 per cent goes to the state in the form of taxes and royalties, which provide some 20 per cent of central government income.

The oil wealth has brought abundant opportunities, but its management poses a host of problems—both economic and political. "It's like inheriting from a rich uncle in America," says one economist, in Oslo, "but we have to convince people that if we use all this wealth at once at home, it would be like operating a printing press. We can import goods and services but that just consumes the resource in Cognac, Black Label or everyone running around in Jaguars and Mercedes."

"How can we make a scheme that does not increase inflation and that we can profit from so that there is something there after the oil age?" asks one senior banker in Oslo. "If we fail to find the answer then we would have been like the Spaniards and simply spent all our gold."

Population:	4.12m
Unemployment*	2.25%
Inflation*	5.75%
Gross Domestic Product—1985*	Nkr 450bn
GDP (1984-85 % change)*	+3.1%
Total exports—1985*	Nkr 222bn
Total imports—1985*	Nkr 186bn
Current account surplus 1985*	Nkr 22.1bn
Currency: $1 = Nkr 7.89, £1 = Nkr 11.17 (mid-November 1985)	
Land area: 386,975 sq kms. Of which 3% arable, 20% productive forests, 62% mountains.	

* Budget estimates

NORWAY WEEK

NORWAY is the subject of a week-long presentation in London next week (Mon Nov 25-Fri 29) to be attended by Crown Prince Harald and Crown Princess Sonja, and by Mr Kaare Willoch, the Prime Minister.

The events, which will take place principally at the Dorchester Hotel, Park Lane, include seminars on energy-intensive processing, metals, and alloys; pulp and paper production; and offshore-related shipping.

There will also be exhibitions of contemporary Norwegian art.

Kare Willoch's coalition government faces a crucial budget vote after losing its overall majority, **Kevin Done** reports

Maverick in control

THE GENERAL election in September changed the rules of the Norwegian political game, and some of the players are still having problems in learning these new rules.

The result robbed the Conservative-Christian *Democrat*-Centre Party ruling coalition of their overall majority, but it also failed to give the Socialists a mandate to form a government.

One Oslo newspaper said Mr Kare Willoch, Conservative leader and Prime Minister since 1981, was "condemned to govern." For a majority in the Storting (Parliament), the Conservative-led coalition is now dependent on the support of the maverick right-wing Progress Party.

The Progress Party saw its representation cut in half to two seats but Mr Carl Hagen, the party leader and his one colleague have been left holding the whip hand. The government coalition won *78 seats, the Labour and Social*ist Left party won 77 seats.

During the election campaign Mr Hagen announced that *he* would not bring down a non-socialist government, but in the wake of the poll it is still far from clear what price the Progress Party will seek to put on its support and what the Government will be willing to pay.

With little respite after the campaign, the first big test of the new parliamentary session is already looming in a crucial vote on the state budget on December 17. When the budget was presented, Mr Willoch said the Government felt it had gone to the limit in expanding public *expenditure*.

During the election campaign the Labour Party fought heavily on *deficiencies* in the health and social services, and the Government has been forced to counteract its declining popularity by loosening the purse strings on public spending.

Mr Willoch said the budget vote could be made a Cabinet question — the Norwegian version of a vote of confidence. The coalition is seeking to force Mr Hagen into a corner by placing the blame on him for an eventual government defeat. The whole budget process is turning into a tense battle of nerves.

Mr Willoch says a substantial change will not be accepted on the budget, but he is unwilling to define concessions the coalition would make to gain Mr Hagen's support.

"If Labour and Progress Party vote for substantial increases in government expenditure, the Government will not be in a position to accept. If these parties act to create inflation they should be given the opportunity to administer *that inflation* themselves," he says.

At the outset of the budget *process* the coalition parties — in particular the Centre and Christian Democratic parties — *were unwilling* to contemplate negotiations with Mr Hagen, considering his maverick brand *of politics* beyond the pale.

"They continue to treat him as if he has a deadly disease," says a *senior Norwegian* industrialist. "That is wrong. He is there and they have to face the music."

Unpredictable

Coalition partners have entered reluctantly into talks with opposition parties, but they have tried to dispel the impression that Mr Hagen is being given any favoured treatment. They started talks not only with the Progress Party, but also with Labour and the Socialist Left for good measure.

"We *have tried to negotiate* deals with all three opposition parties but with limited success," Mr Willoch says.

The chief problem for the Government is that the Progress Party is unpredictable. Mr Hagen fought the election on a platform that included suggestions such as the abolition of income-tax, property tax, wealth tax and inheritance tax.

He would like Nato troops on Norwegian soil and favours far-*reaching privatisation of State*-owned industries like Stateoil, and public services such as health and education.

Progress is also suggesting extra spending on health and social welfare and in these areas is threatening to vote with Labour, bumping up government expenditure by NKr 1.8bn.

"We want to increase pensions and give some more money to the disabled and those in need of hospital services," *Mr Hagen* says.

He is *gambling* that the Government will not risk the further unpopularity of moving for a vote of confidence on proposals that benefit the old, the sick and the disabled. "That is going to be very unpopular. It will depend very much on whose nerves are strongest.

"I want to be able to say the Government resigned because pensioners should get NKr 394 each a year extra."

Mr Hagen does not help his popularity with the Government and its attempt to hold as tight a grip on the budget as politically possible by insisting that: "The state budget is very good, we are swimming in money. The main problem is how to hide that we have a very rich Government."

It is a little distasteful for Mr Willoch, as an economist, to have to deal with a gambler *like* Mr Hagen, but that appears to be the new political reality.

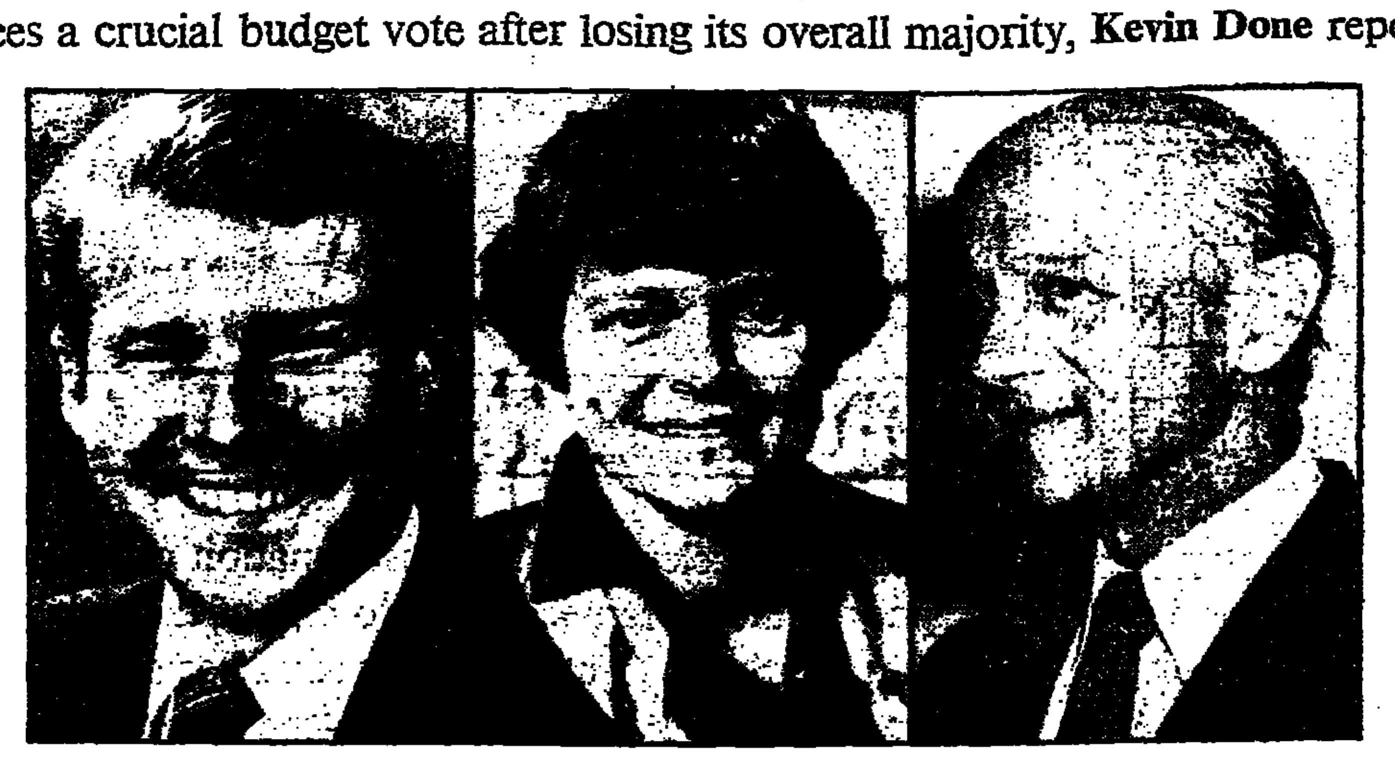
"In a poker game you do not show your hand too clearly," the Progress Party leader says. "It is a question of who is bluffing and who is not."

The Labour Party is seeking to force the Government into the hands of Mr Hagen. Mrs Gro Harlem Bruntland, the Labour leader, who scored a considerable personal success in increasing the party vote by almost 4 per cent, says the Government is trying "to avoid the reality of its parliamentary base" by seeking co-operation with the real opposition.

"Labour wants a clear picture *of responsibility, otherwise* there is confusion over who is really governing. When we get *to the next election we must* be clear about the alternatives."

Mrs Bruntland rules out the *possibility under present* circumstances of a Labour administration taking over in a government crisis.

"All four parties (the three coalition members and the Progress Party) said they want a non-socialist government. Labour has no interest in getting responsibility without being able to rule," she says.



Carl Hagen (left), *leader of the Progress Party, holds a vital balance of power between Prime Minister* Kare Willoch (right), and Labour leader Mrs Gro Harlem Bruntland

Chemistry spices confrontation

POLITICS in Norway turns increasingly around the personalities of the two main parties: Mr Kare Willoch, the Conservative Prime Minister, and Mrs Gro Harlem Bruntland, leader of the Labour Party.

They are a cartoonist's dream. Mr Willoch is always precisely *and conservatively dressed, and* slightly built with a small balding head that makes him sometimes look older than his 57 years. A fanatical anti-smoker, he hikes and skis and always walks the 14 flights of stairs to his office.

He has a cool, intellectual air, choosing to dominate by force of argument and gives a firm impression of not *suffering* fools gladly. Opponents recognise him as a formidable debater.

He became *Norway's youngest* MP at the age of 26 when he entered the Storting (Parliament) *in 1955*.

Mrs Gro Harlem Bruntland provides the colour and temperament to the political clash.

Slightly matronly in appearance, Mrs Bruntland has an air of activity, but has learned to keep her emotions under much more control.

"In *earlier television debates* with Mr Willoch you could see the colour rising in her cheeks, but *in the last election campaign* she was much more controlled," says one leading commentator.

Mrs Bruntland is more the populist politician than Mr Willoch, appearing at ease in *appearances around* the country in the election campaign. Barely a day went by without a visit *to a hospital bed or an old* people's home.

Her ability to reach ordinary people and *apparently* share their concerns reaped dividends in the election. This turned around health and social services issues rather than the drier ones of how best to run the economy, which benefited Mr Willoch's style in 1981.

Mr Willoch chose to take a detached, lofty position above the election fray in the early weeks *of the campaign. This* gave Mrs Bruntland the chance she needed, and she succeeded with drive and energy in seizing the initiative and putting government parties on the defensive.

Prominence

Compared with Mr Willoch, Mrs Bruntland was a latecomer to politics. She has a degree in medicine from Oslo University *and a Master of Public* Health from Harvard, first making a career in the health service, in academic and administrative medicine. From 1965 to 1967 she was at the Office of Hygiene and Epidemiology and from 1968 to 1974 associate director of school health services in Oslo.

Politics were in her blood, however. The daughter of a former Labour Minister of Health and Social Affairs and Minister of Defence, Mrs Bruntland became active in politics at school. She was one of the founders of the upper secondary school socialist union. As a student at Oslo University she was deputy chairman of the Labour Party Student Union.

She took an active part in the free abortion movement, but was hardly a prominent public *personality when asked* by Mr Trygve Bratteli, then Labour Prime Minister, to take over the Environment Department.

She was Environment Minister from 1974 to 1979, and came to international prominence in 1977 when responsible *for* co-ordinating the Government's response to the first big blow-out in the North Sea on the *Ekofisk Bravo platform*.

The Labour Party was badly split at the end of the 1970s and its fortunes declining. Rather surprisingly the young Mrs Bruntland emerged to replace Mr Odvar Nordli as Prime Minister in 1981. She held office for barely nine months before being replaced by Mr Willoch.

There is a *special chemistry* between the two leaders which adds a spice to their confrontations and they have each been forced to modify behaviour to counter each other.

Late in this year's election campaign Mr Willoch realised that he needed a touch of Mrs Bruntland's populism, and in the days before the poll he could be seen as often as the Labour leader visiting hospitals, shaking hands with old people or even learning to drive a truck.

Mrs Bruntland has managed — especially in front of the television cameras — to control more emotional responses to Mr Willoch.

"Gro was a very aggressive person," says a political analyst. "Willoch always won because he is so calm and aloof and knew what to say to make her angry, but in the one television debate this year it was Willoch that go heated, not Gro."

In spite of his four years as Prime Minister, Mr Willoch is regarded by some as an opposition politician. He is more at home expounding the sins of the Labour Party than explaining his own political vision.

"He is unusually intelligent and extremely good in debate," says an analyst.

Mr Willoch is one of Norway's leading economists — he received the highest marks ever when he graduated in economics from Oslo University in 1953 — *and could have made an* academic career.

"He is the only one in the Cabinet who understands economic policies on a macro-economic level. The Finance Minister does not try to compete," says a senior government official.

From university, Mr Willoch worked briefly for the Norwegian Shipowners Association and for a long period combined politics with a role as consultant to the Norwegian Federation of Industry. In effect, however, he was in politics from the start.

He joined Oslo city council in 1952. A year later as something of a political prodigy, *he became a deputy member* of parliament and by 1957 was elected as a permanent member. He served as *Trade* Minister briefly in 1963 in the first non-socialist Government since the war, and then held the same post from 1965 to 1970.

For 11 years to 1981 he was leader of the Conservative parliamentary group and from 1970 to 1974 was also chairman of the party. He has played a central role in the emergence of the Conservatives as the main non-socialist party in Norway. His party's share of votes *rose from 17.4 per cent* in 1973 to 31.8 per cent in 1981, when Mr Willoch became Prime Minister.

1985 Election Results

(1981 results in parentheses)

	% of poll	— Seats —
Conservatives	30.4 (31.7)	50 (53) −3
Christian People's	8.2 (9.4)	16 (15) +1
Centre	6.6 (6.7)	12 (11) +1
Progressives	3.7 (4.5)	2 (4) +2
Total non-Socialist vote	49.0 (52.3)	80 (83) −3
Labour	40.8 (37.2)	71 (66) +5
Left Socialists	5.4 (4.9)	6 (4) +2
Liberals	3.1 (3.9)	0 (2) −2
Total Socialist vote	49.3 (46.0)	77 (72) +5
Others	1.7 (1.7)	0 (0)

Votes cast 3,098,153; turnout 82.7 per cent (81.9).

Initiated by Alfred Nobel in 1865, Dyno Industrier is now a multinational high-technology operation.

By Gunnar Sætrang in Oslo.

Dyno Industrier of Norway is one of the many companies Alfred Nobel helped to establish after he had invented a method for the safe use of nitroglycerin in blasting operations. Dyno is unique among the Nobel companies in being the only one in the world in which Nobel himself did not hold an equity interest.

"For about a hundred years Dyno was more or less content to manufacture explosives for a limited but valuable Norwegian market. About 15 years ago we realized that the Norwegian market was too small to give us sufficient elbow room", says Ragnar Halvorsen, president of Dyno. "That's when we began in earnest to establish ourselves abroad."

– And yet you have kept a fairly low profile?

"Dyno is of course a small company compared with the big multinationals. But we have enjoyed good growth, and in the last two years we have progressed well. Our strategy is to develop home based "know-how" in international markets. When we enter a new market or product area, we do so with the intention to grow. If we feel unable to achieve an important position, we keep out. Even for a relatively small enterprise, this strategy makes it possible to dominate specific market niches."

– In which product groups does Dyno specialize?

"We see potential for development in the fields of explosives, certain industrial chemicals and high-tech plastics. Our strength lies in advanced "know-how" and a well-founded philosophy of co-operation. In research, product development and manufacture within these product groups we want to associate with other enterprises and institutions. The keywords in this connection are flexibility and adaptation to local conditions."

– What exactly does this flexibility imply?

"In principle we are willing to engage in many forms of cooperation – joint ventures, partly- or wholly-owned companies or the sale of licences. This attitude, combined with concentration on certain specialities, has brought us progress," proclaims Dyno's president.

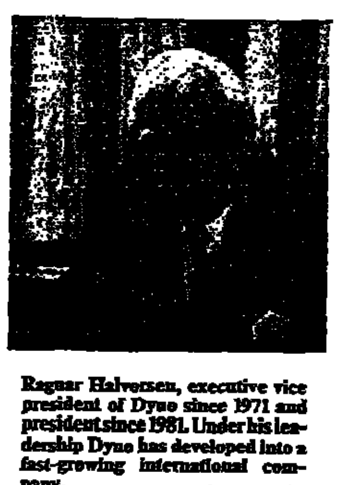
"Dyno is well funded and has a small but efficient organization with high degree of delegation of power. We think that we are well placed to grasp new possibilities and to make quick decisions."

– What are your engagements in the UK?

"Let us first mention our subsidiary Cooper, Pegler & Co. Ltd., in Sussex which exports knapsack sprayers to 150 different countries. And through our newly established plastics engineering centre at Carlbury near Oxford we want to make closer contact with the British motor manufacturing industry. Again, our business development centre, Dynova, is collaborating with Dr. Kemshead of the Institute of Child Health in research into the use of "Dynospheres" in the treatment of cancer."

– Are you giving up expansion in Norway?

"No, far from it. Besides manufacturing, our activities in Norway include research and product development. Research in Norway – increased production abroad, that is our global strategy. Production should take place where the markets are," emphasizes Halvorsen. "In 1990 we plan that nearly 90% of our sales will be generated from production abroad. Today, we are operating in 17 countries."



Ragnar Halvorsen, executive vice president of Dyno since 1971 and president since 1981. Under his leadership Dyno has developed into a fast-growing international company.

– How are Norwegians received abroad?

"People still regard us a bit blue-eyed", chuckles Mr. Halvorsen. "At the same time we are known for our straight-forwardness, good business ethics and democratic company philosophy. Of course, the fact that Norwegian managements on the whole enjoy good relations with the Trade Unions makes for stable working conditions and reliable deliveries. Our business connections know that Scandinavia is a demanding and sophisticated market which can choose freely between innumerable products and suppliers. Companies do not survive there unless they can point to excellent product quality, regular deliveries and a high level of service."

– Dyno's profits were on the decline until 1983. Since then they have increased sharply. What happened?

"Before 1983 we wound up several unprofitable activities and concentrated heavily on building up and investing in new business opportunities. It necessarily took some time before the results were reflected in increased profits, as is the case both in 1984 and in 1985.

– What about Norsk Hydro as the largest shareholder of Dyno?

"As late as this spring Norsk Hydro increased their holding in Dyno from 37 to 50.5% of the share capital. Besides greatly enhancing our equity capital this safeguards our supplies of raw materials and provides us with an interesting international backing.

– A last question: Are you well staffed for continuing your international drive?

"Dyno has put great weight on finding people with an international background and education. We systematically train our people to think internationally. Every one of them must be familiar with our global market. When I ask my colleagues whether they have read today's paper, I expect them to know that I mean the Financial Times," concludes Ragnar Halvorsen with a smile.

Dyno No. 1 on the US explosives market.

Ever since 1865, when Alfred Nobel laid the foundations for what is now Dyno Industrier, explosives have been the company's principal product.

As the United States consumes 40% of the explosives manufactured in the world, it was important for Dyno to establish a strong position in this market.

In 1984 Dyno acquired Ireco Inc., an American explosives corporation which leads the world in the field of bulk slurry explosives. Through Ireco, the Commercial Explosives Division of Hercules Incorporated was acquired in June 1985.

Dyno's yearly explosives sales are now more than NOK 2,000 million (of which NOK 1,500 million in foreign markets). This makes Dyno one of the world's leading explosives manufacturers and USA's largest manufacturer of explosives for civilian purposes.

"We are also in the front rank in the supply of high explosives and advanced initiating devices for defence purposes in the United States and the NATO alliance", says director Sunde Johnsen, in charge of Dyno's explosives' activities.

Slurry explosives rationalize blasting operations.

Slurry explosives were developed by the founder of Ireco, Professor Dr. M. A. Coock in 1962. Slurry has made it possible to rationalize large-scale opencast mining operations.

The great advantage of slurry is that it is composed of non-explosive liquid components which can be pumped straight into the boreholes. Only when the slurry is in place in the borehole can it be detonated.

Ireco has more than 30 production facilities in North America. Worldwide, 25 explosives companies are licensed to use Ireco's technology.

Not only does the acquisition of Ireco assure Dyno of a strong position in the market, what is equally important is that the company now has at its disposal the technology which will enable it to establish new enterprises in many countries.

Complete range of products and nationwide distribution.

With the purchase of Hercules, Ireco now offers a complete range of products, comprising ammonium nitrate, nitroglycerinebased explosives, cartridged and bulk slurry, military explosives and initiating devices.

Through this transaction, Dyno also gained a distribution network covering the whole of the USA.

Supplying entire explosions, not just explosives.

"Dyno has been a market leader for more than a century, and we intend to stay in the business for at least the next 100 years", says Mr. Sunde Johnsen.

"We shall continue to live up to our cardinal principle of giving our customers everything they need – supplying not only explosives and initiating devices, but also guidance in blasting technology. In this way we enable our customers to choose the most cost-effective and efficient solution to each problem."

"To us, the manufacture of explosives is far more than a question of supplying products, it is equally a question of services", Mr. Sunde Johnsen states.

Dyno in progress: profits up 68% last year.

After successful restructuring, Dyno Industrier reports a substantial increase of turnover in 1984 and the first 8 months of 1985.

Dyno's expanding activities outside Norway, especially in explosives and a restructuring of our plastics activities take much of the credit for the results achieved.

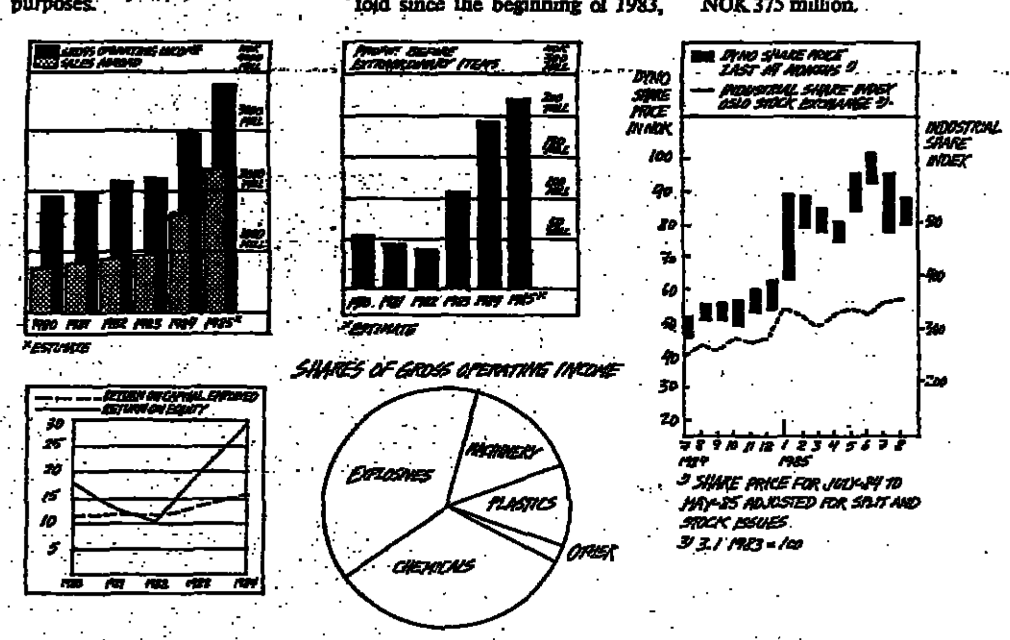
The Group will increase its progress by concentrating its resources to even greater purpose within its high-priority fields – explosives, chemistry and plastics for technical purposes.

Since 1982 Dyno has increased profits before taxes from NOK 52 million to NOK 182 million in 1984. For 1985 the Group forecasts an increase in gross operating income of 28% to NOK 3,800 million. The profit before taxes is estimated to NOK 220 million in 1985 up from NOK 182 million in 1984.

The Group's progress in performance over the last years is also reflected in the price of the shares: The value of Dyno shares on Oslo Stock Exchange has increased five-fold since the beginning of 1983, which is considerably above the increase in the index for industrial shares in Norway.

Last spring Dyno signed a collaboration agreement with Norsk Hydro a/s. This agreement assures the Group of increased effectiveness and initiative in its future international business.

Through a directed issue, Hydro acquired 50.5% of the Dyno shares, increasing Dyno's equity capital by NOK 375 million.



Oseberg B – successfully on schedule

Dyno engineering, in collaboration with Norwegian Petroleum Consultants, is now engaged in the final phase of a detailed engineering assignment on the Oseberg B platform in the North Sea. This project, involving about 180.000 man-hours of work, will be completed in February 1986, successfully on schedule.

Dyno engineering, an Anglo-Norwegian offshore entreprise.

Dyno Engineering was established in October 1983 in collaboration with a British engineering company, Rig Design Services Ltd. (RDS), with Dyno holding a 66% interest. The company supplies drilling technology services on the Norwegian and international markets. It also supplies other Dyno products to the offshore industry.

Computer-assisted design and construction.

Dyno Engineering has invested extensively in the purchase and development of CAD/CAE (Computer Assisted Design/Computer Assisted Engineering). RDS has long experience and great expertise in the use of CAD/CAE, thus it is to be expected that other divisions of Dyno will also benefit from this technology in the course of a relatively short time. CAD/CAE may potentially effectivize work in many of Dyno's special fields including design of plastic products, planning of chemical process plant and general instrumentation and automation.

Sophisticated drilling and process technology.

Dyno Engineering intends to design power packs for the offshore market. "We also intend to concentrate considerable effort on the refinement of drilling and process technology", says Mr. Frode Lars Galtung, director of Dyno Engineering.

In keeping with this latter objective, Dyno Industrier A.S has acquired a 25% holding in Temco Engineering A.S, a company which offers a newly developed drilling system based on hydraulics.

The signing of the joint venture agreement between Dyno and Westralian Forest Industries. From the left: Mr. Dennis Cullity, Chairman of Westralian Forest Industries Ltd., Mr. Brian Burke, Premier of Western Australia, Mr. Ragnar Halvorsen, Managing Director of Dyno Industrier A.S, Norway.

New resin plant for Western Australia.

The recent visit to Norway by Australia's Premier, Mr. Brian Burke, included a courtesy call to Dyno Industrier A.S.

Dyno is at present constructing a chemical resin plant in Western Australia. This is a joint venture with Westralian Forest Industries, a major Australian manufacturer of particle boards.

The formaldehyde and resin plant, operating on the basis of the latest Dyno technology, is one of 35 Dyno production facilities in 17 countries around the world – from the Arctic Circle to the Tropic of Capricorn.

Dyno's Director for International Development, Mr. N. C. Nøkleby, bids local partners welcome.

Truly international.

Over the years the Dyno Group has become clearly international. It all started in 1969 when Dyno set up its first joint venture manufacturing business in Singapore. Since then, Dyno technology in the fields of explosives, chemicals and plastics has become established throughout five Continents.

The acquisition of Ireco Chemicals and the Commercial Explosives Division of Hercules in the United States has provided further impetus to Dyno's international activities.

In May this year, Dyno bought a resin plant in Holland from Norsk Hydro. In Europe, Dyno already operates resin plants in Norway, Finland and Denmark.

Methanor v.o.f. in Holland is the largest methanol producer in Europe. Dyno holds a 40% equity interest in this joint venture with Akzo and DMF.

Last year, American Cyanamid and Dyno Industrier established a new company, Dyno Cyanamid, for the joint production and marketing of acrylic resins in Europe and the Middle East.

Dyno invites co-operation with private enterprises and public authorities.

Commenting on Dyno's views on business opportunities abroad, Mr. N. C. Nøkleby, Dyno's director for International Development, says "In general Dyno finds it advantageous to work in joint venture with local partners. Our company contributes process technology, production equipment, equity and marketing expertise. Our shareholding in such ventures ranges from 10% up to 75%."

"In the initial phase we are open to almost any type of co-operation", concludes Mr. Nøkleby, who encourages interested parties to contact him direct at Dyno's Head Office, P.O.Box 779 - Sentrum, 0106 Oslo 1, Norway. Int. tel.: (472) 31 70 00.

Dyno's unique particles, a new tool in the fight against cancer.

DYNOSPHERES®, the versatile, mono-sized polymer particles produced and marketed by Dyno, are winning scientific acclaim througout the world.

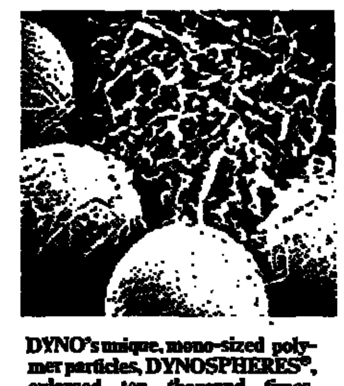
The uniqueness of these particles lies in their patented production method. Dyno can manufacture particles that are exactly uniform in size, shape and mechanical and chemical characteristics, in sizes from 1/2000 mm to 1/10 mm.

Cancer cells can be separated and removed from healthy tissues upon treatment by magnetized particles coated with an inert shell and coupled with suitable monoclonal antibodies. Specially prepared grades of DYNOSPHERES® are used in removal of cancerous leucocytes in bone marrow, in the treatment of lymphoma and particularly neuroblastoma, a cancer chiefly affecting children and adolescents.

A research team under Dr. Kemshead of the Institute of Child Health in London has been a driving force in this research. His team has worked closely with the inventor of the particles, Professor J. Ugelstad of the Norwegian Foundation for Scientific and Industrial Research, and their achievements promise a new life for neuroblastoma patients.

Several leading hospitals in Europe and the United States are now actively engaged in the research and development of new applications for DYNOSPHERES®, where diagnostics and therapy figure prominently. Current applications include T-cell fractionations, the separation of virus and organelles and tracers in animal blood circulation studies.

DYNOSPHERES® are capable of improving the level of accuracy for complex separation processes of almost all kinds. The particles have also made possible the development of new technology in electronics, for example the production of large liquid crystal displays.



DYNO's unique, mono-sized polymer particles, DYNOSPHERES®, enlarged ten thousand times. Using particles like these, medical research workers can separate cancer cells from healthy cells, biochemists can separate complex new products from reaction mixtures and electronics engineers can produce large liquid crystal displays.

Photograph: Dr. A. Reith, Radium Hospital, Oslo, Norway.

DYNOVA – developing tomorrow's chemistry-based systems.

Dyno's business development organisation Dynova, is also engaged in a continuous search for other technology-intensive systems for use in new product areas with growth potential.

"We believe that systems for use in and with chemical analysis procedures, medical diagnostics, biotechnology and aquaculture will occupy a prominent place in our future product range", concludes Mr. Bjørn Holmerud.

Expansion in research.

Dynova's product philosophy is rooted in the field of chemistry. A new research centre now planned, will house about 50 scientists and their assistants who will have the space, equipment and resources they need for the development of systems chemistry with the future in mind.

It is at this centre that they will continue the research that Dyno needs to maintain its leading position in its chosen fields. Contact and co-operation with other research institutes are seen as essential to the work at the centre.

Dyno Plastics Group to become a leading supplier of petrol tanks to UK automotive industry?

Dyno, a pioneer in the development of plastic petrol tanks and for many years dominant in Scandinavia, now aims to become a leading supplier to the UK automotive industry.

To strengthen its ties with the industry, Dynoplast Ltd., Ashington, Northumberland, has recently established a plastics engineering centre at Charlbury near Oxford.

Promising outlook in high-tech plastics.

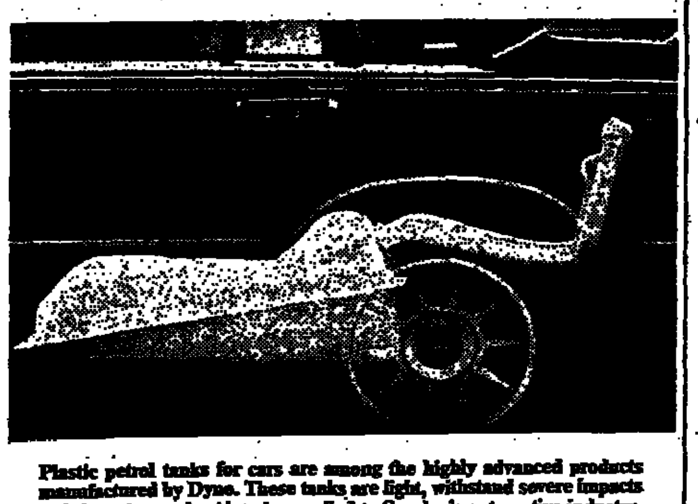
Dyno Industrier Plastics Processing Group is one of Scandinavia's leading entreprises in this field. Among the techniques employed by the Group are injection moulding, blow moulding, rotational moulding and thermo-forming.

Dyno, whose organization and production facilities have been extensively restructured in recent years, is investing heavily in new products and technology. Describing the Group's plans, Dyno's director, Arvid Lid, says: "We are particulary interested in the market for high-tech plastic products, especially in the automotive and electronics industries. Also, we intend to maintain and further develop our lead in the field of distribution and special packaging systems."

Dyno has achieved an enviable reputation with the Scandinavian computer industry as a supplier of high quality parts, and is now expanding its UK operations in this field.

The need to select markets worldwide.

Discussing internationalization, Mr. Lid stresses that to justify the expense of research and development, Dyno must expand its geographic market concept. "It is our stated objective to achieve greater internationalization and a strong position in the markets we select. We are always interested in making contacts with a view to collaboration," he continues.



Plastic petrol tanks for cars are among the highly advanced products manufactured by Dyno. These tanks are light, withstand severe impacts and do not corrode. Already supplied to Sweden's automotive industry, they are now being introduced for British-manufactured cars.

The Group has already established sales organizations and factories in several countries, and more are in the planning and establishment phase.

Dyno carries Schweppes.

"Since we stepped up the production of advanced distribution systems based on plastic products, bottle crates have been one of our specialities. Since 1976 we have been carrying Schweppes – only the bottles, of course – in crates specially produced for the company. The manufacture of bottle crates may appear to be a simple matter – but not if they are to be the best in the world", says Mr. Lid. That Dyno's distribution systems are in a class of their own is demonstrated by the fact that bottlers in the south of France have chosen Dyno crates in spite of the great distance involved.

Dyno's UK company exports to 150 countries.

Dyno's subsidiary, Cooper, Pegler & Co. Ltd., Burgess Hill, Sussex, exports its high quality knapsack sprayers to more than 150 countries around the world, either complete or in parts for local assembly. "This successful operation again emphasizes our ability to develop and design unique products for demanding applications", maintains Arvid Lid.

Progress in advanced packaging.

The versatile Dynopack packaging system for food products, which has become a resounding success in the European food processing industry, is now being introduced on the North American and South East Asian markets.

Dyno enters joint venture with American Cyanamid.

1985 marks the establishment of a 50/50 joint venture between Dyno and the American Cyanamid company to manufacture and market amino cross-linking surface coatings improvers throughout Europe and the Middle East. The new company, Dyno Cyanamid, leads in cross-linking technology, bringing together the manufacturing skills, technical "know-how" and research capabilities of Dyno and American Cyanamid.

"This new company will greatly strengthen Dyno's position in the coating resins field", says Bjørn Holmerud, director of Dyno Chemicals Group.

Specialists in industrial chemical processing.

The product range of Dyno Chemicals Group comprises many important binding agents for paints and varnishes.

The Group manufactures and markets synthetic resins used as adhesives, glues and binders for a wide variety of purposes including surface coatings, paper treatment and laminate manufacture.

Important base products made by the Group include formaldehyde and methanol.

The Dyno Chemicals Group has manufacturing and marketing facilities in Norway, Denmark, Finland, Holland, Singapore, Indonesia, Pakistan and Australia.

Turnover in 1984 was NOK 948 million, (115 mill USD) of which 81% was generated outside Norway.

Dyno has invested heavily in research and development in the field of monodisperse polymer particles, chemicals for the offshore market and systems for the manufacture of fire resistant insulation materials.

Commenting on the Group's R&D activities, Mr. Holmerud says "Active research is a matter of course in all our fields of business – and essential to our efforts to find profitable fields of activity for the future."

Selling technology to China.

Dyno has supplied a number of formaldehyde and adhesives factories to the Republic of China. The facilities include complete processing plant for the manufacture of adhesives and equipment for the production of formaldehyde, used as a raw material in these processes.

Sales of licences and process technology have made a most satisfactory contribution to the Group's earnings in recent years.

DYNO: A springboard to Scandinavian excellence in wood-based products.

The Scandinavian woodworking industry has always held an enviable reputation for its high-quality products.

Dyno Chemicals Group helps to maintain this reputation as a high quality supplier of liquid and powdered adhesives for the production of particleboards, plywood, wood laminates, furniture and other timber based products.

Dyno's products in this field, available worldwide, involve a technology which itself has been exported to several countries, from the cold climate of Finland to the tropical heat of Indonesia.

Dyno is actively exploring possibilities and opportunities for broadening its overseas chemicals activities. With its comprehensive marketing expertise, advanced manufacturing technology, and its worldwide experience in joint ventures and business co-operation, Dyno has proved itself to be an attractive partner.

"We are in principle interested in every form of co-operation in the field of performance and fine chemicals", says Mr. Holmerud.

Get information about a company in progress

Dyno Industrier A.S., a Norwegian company, realizes the necessity of selecting markets worldwide. The group is in vigorous growth and now has production units throughout five Continents.

Through determined concentration on technologically advanced products in the fields of explosives, industrial chemicals and high-tech plastics, Dyno expects to maintain its intended progress.

If you would like to know more about us, we shall be pleased to send you detailed information about what we stand for.

I should like more information about Dyno Industrier A.S. Please send me brochures about

☐ the Dyno Explosives Group ☐ the Dyno Chemicals Group
☐ the Dyno Plastics Group ☐ Dyno Engineering
☐ The annual report of Dyno Industrier A.S.

Name ____________________

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Organization ____________________

Address ____________________

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____________________ Postal Code ____________

DYNO

DYNO INDUSTRIER A.S.
Tollbugt. 22, P.O.Box 779-Sentrum, 0106 Oslo 1, Norway
Int. tel.: (472) 31 70 00 – Cables: Dyno. Telex: 71279 dyno n

P&T RRA 18

Norway 4

Fortunes in bull market

Stock Market

FAY GJESTER

"*NO TREE* grows up to heaven." This Norwegian proverb has recently been quoted, with increasing frequency, by a handful of Oslo market analysts who believe that the prolonged, accelerating boom on the city's stock exchange must soon run out of steam. There is no sign of it happening yet, however.

Prices faltered ahead of the September parliamentary elections, when there seemed to be a chance that Labour might regain power. They took off again, however, when the centre-right coalition was re-elected — although by the narrowest of margins. The day after the poll, the all-share index hit a new peak—282.50 (January 1 1983=100), 18 per cent above its January 1985 level.

Only a few weeks later, on October 28, it vaulted a psychological barrier, passing 300 to reach 301.45. The value of the 154 companies quoted on the Oslo stock exchange had by then reached NKr 71.8bn, compared with NKr 16.9bn for the 113 that were quoted at end-1982, just before the current boom got under way. (Most of the newcomers are quoted on the special stock exchange — Bourse II—established last year for smaller firms.)

The index breakthrough attracted still more buyers to the market, and turnover on October 30 set a new all-time high at NKr 176.1m. That day, too, the all-share, industrial and bank share indices hit new peaks. With a few exceptions, prices continued to climb through the first half of November, and the bull market seems likely to last at least until the end of the year.

One positive factor will be the inflow, during December, of funds from investors taking advantage of a tax relief scheme introduced in 1982, soon after the defeat of the last Labour government. The scheme stimulates purchases of unit trust funds during the final few weeks of each calendar year, since such purchases qualify—within rather narrow limits —for tax relief in that year.

In 1984 a total of NKr 360m was attracted to Norwegian unit trusts under the tax relief scheme — and two-thirds of it was paid in during December. This year the amount is expected to be 25 per cent up, at around NKr 450m.

The tax break on share purchases was one of the measures introduced by the Conservative-led Government in 1982 with a view to stimulating stock exchange trading. Another was to cut from 50 per cent to 30 per cent the tax on short-term profits from such trading (short term meaning resale of a share within two years). Initially, these moves had little effect. Tax relief investments in unit trusts that year were worth only about NKr 100m, and did little to help a depressed market. In December 1982 the all-share index hit its lowest level for four years.

But better times were on the way. Another government move abolished the old NKr 1m ceiling on the amount which individual foreigners could invest in Norwegian shares. This brought a flood of foreign money to the market in 1983, just when an economic upturn was boosting the profits of many leading Norwegian industrial firms, giving them liquid funds which they, too, put into the market.

Turnover more than quadrupled, from NKr 1.7bn in 1982 to NKr 7bn in 1983.

With every sector of the market showing good gains, it once again became relatively easy—for the first time in about a decade—to make large, quick profits on stock exchange deals. The 30 per cent flat tax was an added incentive, since—paradoxically — it is so much less than most Norwegians pay on their ordinary, earned income.

A new generation of dealers was attracted to the market — men who made fortunes overnight by moving in and out of the market at the right time, or by establishing new companies —and attracting swarms of eager investors, on the basis of little but an innovative retail marketing concept, a new software patent, or the prospect that Norway's government might permit commercial broadcasting in a year or so.

Since the boom got going, corporate raiding and insider trading have flourished, on this relatively small market, where nearly everyone (but not quite) knows nearly everything (but not quite) that is going on. In a report much quoted in Norway, London stockbrokers Grieveson Grant compared it to a "casino." Last month a new law imposing stiff penalties for insider trading took effect — but it remains to be seen how much impact it will have. Even well-founded suspicions of insider dealing are not always easy to prove.

On the way is a bill to regulate the stock exchange which may include a proviso requiring bidders to tender for all a company's shares, once a certain ownership threshold has been passed. Next year will see the introduction of a computerised register of shareholders, making it easier for the market to keep track of who is buying what.

Meanwhile, 1985 turnover is set to substantially exceed last year's record of NKr 20bn. The indices continue to rise, and more and more ordinary Norwegians are buying shares —occasionally with their savings, but probably more often with borrowed money. (Norway's tax rules allow unlimited deductions of interest on debt). When the tree does stop growing up to heaven, some of these investors are going to fall off the branches with a bump.

OSLO STOCK EXCHANGE

Sector indices and all-share index
Basis 1/1/83 = 100

Indekser 1985	2/1/85	31/7/85	30/9/85	30/9/85	31/10/85	12/11/85	[illegible] high	[illegible] low
Banking	152.59	152.60	151.43	161.73	177.90	[illegible]	[illegible]	
Insurance	232.51	269.97	266.52	274.47	273.08	281.28	281.28	147.96
Industry	288.18	345.81	353.63	364.40	389.94	412.88	412.88	221.67
Oil	175.00	182.29	180.73	186.35	237.63	246.91	246.91	168.08
Shipping	311.83	362.68	363.82	364.15	371.02	391.15	391.15	185.58
Total	239.29	273.99	276.49	285.41	307.52	325.31	325.31	239.29

Minor revolution as controls lift

Banks & Finance

KEVIN DONE

THE NORWEGIAN central bank, Norges Bank, has been trying to move away from instruments aimed at the banks towards more general instruments.

"We are also seeking to have more competition in the market. We tried massive direct regulation and it did not work very well," says Mr Leiff Eide, assistant director in the credit policy department of the bank.

The Norwegian monetary and credit system has been more heavily regulated than in almost any other in west Europe, but in the past two years a minor revolution has been under way. Instruments and markets are being created, regulations and controls have been reduced, and institutions such as foreign banks have been allowed into the market.

Growing revenues from the North Sea and big surpluses on the current account of the balance of payments have led to mushrooming of the foreign exchange reserves and rapidly turned Norway into a capital exporter.

Norwegian financial markets are still in a state of transition and various contradictory mechanisms are moving to a more market-orientated system —a process fraught with problems.

It is the Government's general aim, for example, to allow interest rates to exert a more direct influence on the demand for credit. The setting of interest rates has always been a highly political issue in Norway, but as part of the 1986 budget proposals the Government took a surprising and bold step and decided to de-regulate them.

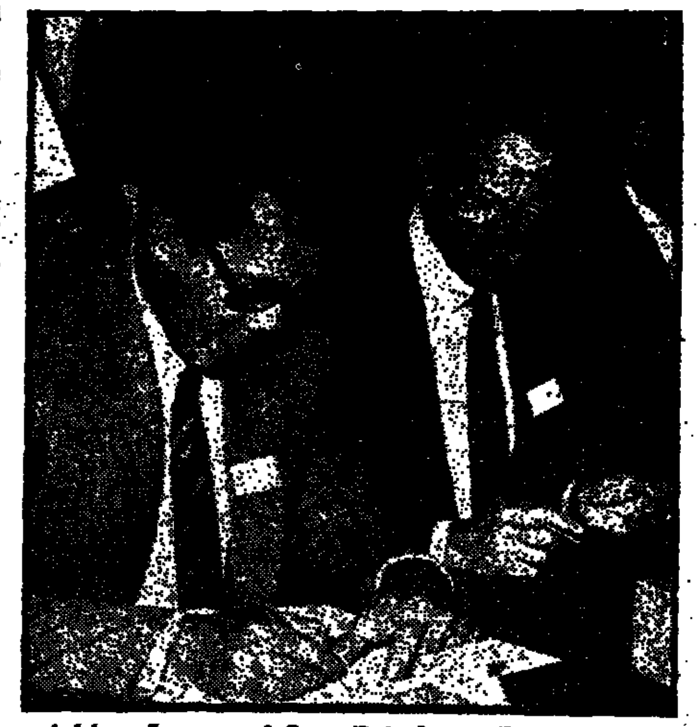
It was part of the realisation that if greater fiscal restraint was politically impossible for the moment, then monetary policy would have to play a greater role in trying to slow the supply of credit. Consumers have been awash with credit this year as bank lending has burst through targets set in the 1985 budget.

The impact of interest rates in the Norwegian system is softened because all interest expenses are tax deductible. Progressive income tax rates are high, which means that nominal or pre-tax interest rates must be very high to have any practical effect on the demand for credit.

A reform of tax deductions is being studied, but changes would also be highly sensitive politically for the ruling Conservative Party.

The temptation to slip back to some of the old controls on the supply of credit will be great if other ways are not found of controlling the rapid credit expansion this year. Bank lending has surged in 1985 and is likely to grow by more than NKr 35bn in the full year compared with the NKr 16bn projected in the credit budget for 1985.

It remains to be seen if lessons have been learnt from earlier unsuccessful attempts at direct control of the credit markets. By 1983 Norway had the most extensive controls seen in peace-time, but the result was as unsatisfactory as ever. Parallel markets developed and controls were circumvented.



Asbjom Larson, of Saga Petroleum (left), signing a loan agreement this year with Leif Loddersol of Den norske Creditbank, Norway's largest bank

"The extent of regulations reached a peak in 1983 when virtually the entire controllable credit market was subject to direct regulation. The regulations were not effective, however, since the credit market showed great inventiveness in channelling credit to meet underlying demand," said Ms Audun Gronn, an economist in Norges Bank credit policy department, in the central bank's quarterly economic bulletin.

Leakages to the unregulated credit market reached a peak in the two years 1982-83. "The result of the policy of control was that it contributed neither to efficient allocation of resources nor to effective control of aggregate demand for goods and services. By 1984 it was clear that the policy of control had had its day."

The process of deregulation has moved forward in steps. The direct control of lending by the commercial banks and savings banks has been repealed, the bond investment obligation has been lifted and the control of bond issues has been largely liberalised. At the same time capital movements between Norway and other countries — in particular outward movements —have also been liberalised.

Norway has discovered growing probelms, however. Maintaining interest rates at a higher level to check credit demand has served to attract growing amounts of capital into the country. Last year it was forced to take a step backwards and prohibit foreigners from buying domestic bonds, for example, because of fears about the increasing capital inflow adding further to the strong liquidity growth.

In spite of such set-backs, the trend is towards liberalisation, however. Of 17 regulations in 1983 governing the commercial banks, savings banks, insurance companies and finance companies, only three remained by late 1985. Norges Bank is pushing hard for these to be removed on the grounds that they are ineffective.

Norges Bank says institutional changes in the financial markets have helped to lead to the establishment of new banks, both foreign and Norwegian. At the same time the market shares of the various groups of credit institutions have changed markedly in the wake of the deregulation moves.

A secondary market for bonds has been established and this year a market for medium-term bearer certificates with up to 12 months' maturity has come into operation. The issuing by the Government of treasury certificates at market interest rates has become the main instrument for the short-term control of interest rates and liquidity. The certificates are aimed at the whole private sector, not just the banks.

The first seven foreign banks to receive licences to open subsidiaries in Norway, were Citibank, which started operations last January. The others are Chase Manhattan, Manufacturers Hanover Trust, Banque Indosuez, Banque Nationale de Paris, Banque Paribas and Samuel Montagu.

One of the most open countries in terms of international trade, Norway, long delayed admitting foreign banks, and even now there are ways in which the foreign banks are still discriminated against. They are not allowed to open branches, they cannot own shares in any other financial institution (which rules them out of finance companies and activities such as factoring and leasing), and both Citibank and Banque Paribas have been refused permission for securities broking.

Activities are concentrated on foreign exchange dealing and business where the foreign banks can use their international networks to advantage such as money transfers and international trade services. Citibank had planned a third operational area in securities broking and money market operations, but for the moment this avenue has been closed.

The main Norwegian banks have been expanding quickly both geographically — in Norway and abroad — and in terms of entering markets or developing products. Den norske Creditbank, the country's largest bank, has increased its assets in five years from NKr 18bn to more than NKr 85bn.

In the last couple of years it has been perhaps the most expansive of any Scandinavian bank and taken over the London-based Nordic Bank and the New York-based Nordic American Banking Corporation. This year it has also bought out its two partners, Midland Bank and Skandinaviska Enskilda Banken in the Dutch-based Ship Mortgage Bank.

Internationally it has specialised in foreign exchange, and lending to the oil and gas and shipping industries.

Higher inflation may be price of growth

The Economy

KEVIN DONE

NORWAY achieved stronger growth in 1985 than most other European countries. Although the rate could slow next year, it is again expected to be higher than for most main trading partners.

Expansive economic policies backed by oil wealth have enabled Norway to combine growth with full employment for a decade. The OECD points out in its annual report that GDP and employment growth have been among the highest and unemployment among the lowest of any industrialised country.

The Government engineered a strong economic performance in this election year, but the electorate concentrated on deficiencies in health and social services rather than the Conservative-led coalition's economic record.

The unemployment rate, which is considerably lower than most industrial countries, has been further reduced. Inflation has also come down to less than 6 per cent from more than 15 per cent at the beginning of 1981. Growth in GDP (excluding oil and shipping), domestic demand and employment has been the fastest since 1979.

In its 1986 budget the Government forecast a growth of 2.4 per cent in the economy next year compared with 3.1 per cent in 1985. The economic boom has been different from the export-led growth of 1984, however. Offshore oil production rose by about 14 per cent last year, but the increase has slowed in 1985.

Growth in traditional industries has picked up instead by more than 4 per cent this year and manufacturing output will exceed 1980 levels for the first time. The GDP, excluding oil and shipping, has grown by 3.9 per cent in 1985 and should increase by 3.1 per cent next year.

The price of such rapid expansion may have to be paid in 1986 and 1987 through higher inflation. Overheating of the economy has started to become evident in a big jump in wage costs, which are likely to lead to a further reduction in the international competitiveness of industry.

"While exports of manufactures have increased, Norway's share of the foreign market has declined. Although Norway's export prices in kroner will fall as the dollar weakens, its market share will decline further over three years," says Wharton World Economic Outlook.

Spending

In its 1986 budget the Government says continued loss of market share abroad and at home indicates that cost and structural problems developed in the 1970s have not been solved.

"There are signs of increasing pressure in the Norwegian economy," it says. "There is a shortage of some types of labour, particularly in central regions. Wage drift in manufacturing industry is accelerating and this may reduce competitiveness abroad and at home."

Taxes and royalties from oil and gas have risen 69 per cent since 1981, more than covering increases in public spending

Popularity of opposition proposals in the election campaign for increased public spending and the precarious parliamentary position mean the Government is doing little to reduce overheating in the economy. It is just the reverse. The 1986 budget is one of the most expansive on record, even though book-keeping changes overstate the case. The coalition has run into heavy criticism, not least from the central bank.

Mr Hermod Skanlund, governor of the Bank of Norway, has told the Government the 1986 budget is "expensive," and says it comes at a time when pressures are building up in the economy, particularly from higher costs.

"If the relatively strong price and cost development is allowed to continue and at the same time the goal of keeping high levels of employment is maintained, then the only way out is to base policy on a rising consumption of oil revenues," he said.

The central bank claims that such a policy is in conflict with long-term aims of maintaining a broadly-based economy.

"Such an expansive fiscal policy will only exacerbate price and cost problems."

The budget is as much a political as an economic balancing act, and the Government is under pressure from opposition parties to increase spending further. The central bank warns, however, that "if there is to be any chance of reaching the goal of bringing price and cost increases down to the level of our partners, it is important to avoid the expansive budget becoming even more expansive."

The Government's proposals due for parliamentary decision on December 17, mean the budget balance is weakened, with expenditure rising by 12.6 per cent in nominal terms and 7 per cent in real terms. If expenditure for state oil is included, the growth is 9.6 per cent (4 per cent real).

The budget shows a deficit of NKr 900m even when all oil taxes are included, compared with a surplus of NKr 19.3bn in 1985. But several calculations have been very conservative, not least in predicting the size of oil revenues given fluctuations in prices and the dollar.

Christiania Bank, Norway's second largest commercial bank, calculates that there is a safety margin of at least NKr 6bn built in.

Mr Tormod Andreassen, chief economist at Christiania Bank, says the economic policy is "bold but risky." The Government had done much to improve the supply side.

"They are making structural changes. In the late 1970s and early 1980s we had lower productivity growth than our competitors. Was it lost for ever, or was it only temporary?

"There is now greater mobility in both the labour and capital markets. If we have bottlenecks it is in the labour market, which is a very different situation to other countries.

"There are no financial problems for the Government, but the question remains whether its policy is too expansive. The Government is setting aside reserves in different ways to hold back demands for even higher spending. We have the resources, we have the money and it is difficult not to use them."

Taxes and royalties from oil and gas have risen by 69 per cent, from NKr 27.2bn in 1981 to an estimated NKr 46.1bn in 1985, more than covering rising public expenditure. Transfer payments show the highest growth — about 5 per cent in real terms in 1986 — with a particularly strong rise in pensions and social security benefits.

Easy credit

Oil money makes this possible but there are worries over the long-term costs. Norway is also overwhelmingly dependent on oil revenues to keep the current account in balance. One of the safety valves for high domestic demand and private consumption has been that the demand has stimulated imports, particularly foreign cars. Private consumption rose some 6 per cent this year and total domestic demand by about 5.3 per cent.

This boom in consumption has come from rapid growth in real wages and easy credit. It has brought the strong increase in output of traditional industry. Imports have been gaining more of the domestic market, however, and apart from oil and shipping there has been a growing deficit in overseas trade.

This current account deficit is expected to reach NKr 71bn next year, up from NKr 64bn this year, NKr 50bn in 1984 and only NKr 7bn in 1970. A growing share of domestic goods and services are being financed from revenues from petroleum activities. The deficit is more than covered by oil revenues and Norway as a whole still has an expected current account surplus of NKr 22.5bn this year.

The current account surplus is forecast to fall to only NKr 1.6bn next year, showing that harder times can be ahead unless oil revenues keep rising.

International Indicators

	Annual average 1972-82	% change from prev. yr. 1983	1984	1985	1986
GDP:					
OECD total	2.6	2.7	4.9	3	3
OECD Europe	2.2	1.4	2.4	2¼	2¾
Trade partners*	2.0	2.2	3.3	2½	2¼
Norway	3.9	3.9	3.8	3	3
Mainland Norway	3.0	1.4	2.6	4	3
Industrial production:					
OECD total	1.7	3.5	7.6	3½	3
Trade partners*	1.2	3.0	5.7	4	2¾
Norway†	0.3	+0.7	2.4	3	2½
Consumer prices:					
OECD total	9.9	5.3	5.3	4¾	4¾
Trade partners‡	9.5	5.8	5.2	4½	3¾
Norway	9.5	8.4	6.2	5¾	5½-6
Unit labour costs:					
Trade partners, measured in NOK	7.6	4.5	2.5	4½	2
Norway	10.2	5.1	5.0	4¼	...
Unemployment:					
OECD total	5.2	8.8	8.4	8½	8½
OECD Europe	5.3	10.2	10.7	11	11¼
Norway	1.8	3.3	3.0	2¼	...

* Export weights. † Including traditional mining.
‡ Exchange rate basket weights.

Source: OECD, IMF, DRI and other national sources, 1986 Budget.

Oil eclipses traditional exports

Trade

KEVIN DONE

NORWAY IS one of the world's most export-oriented countries with foreign sales of goods and services now contributing about 50 per cent of Gross National Product.

Petroleum exports have assumed an increasingly dominant role since the country first became a net exporter of oil and gas in 1975, eclipsing traditional exports such as metals, machinery, fish and fish products, chemicals, pulp and paper and iron and steel.

Oil and gas now account for more than a third of total exports of goods and services and the country's soaring revenues from this sector have managed to compensate for the growing deficit in the trade balance of mainland Norway.

However, the dominance of oil and gas should not be allowed to obscure the fact that Norway is still firmly in the top 10 shipping nations in the world and plays an equally important part in the world fishing industry, for instance.

The ample supply of hydro-electric power — mountains cover 62 per cent of the country — have allowed the development of energy-intensive industries and Norway is a leading supplier of ferro-alloys and the world's second largest exporter of aluminium.

In the shadow of the oil and gas industry other new export sectors have also sprung up in recent years, ranging from mini computers to fish farming.

Thanks to the oil and gas sector Norway has enjoyed an enviably favourable external payments position in recent years. The current account of the balance of payments showed a surplus of NKr 26.4bn last year following a surplus of NKr 15bn in 1983. The surplus on the trade balance was fully NKr 40.3bn compared with NKr 30.9bn a year earlier.

The current account is expected to show a hefty surplus again in 1985 of about NKr 22bn although the Government is cautiously predicting a fall to a surplus of only SKr 1.5bn in 1986.

In 1984 exports of crude oil alone, at some NKr 52.5bn, were virtually equal to the sum of the exports of the six traditional sectors of Norwegian industry: metals, engineering, fish products, chemicals, forest products and iron and steel. In addition, natural gas accounted for a further NKr 26.3bn of exports.

Of Norway's total exports of goods last year oil and gas were worth NKr 78.3bn, traditional goods accounted for NKr 70.3bn with the sales of ships and platforms accounting for a further NKr 8.3bn.

Of the total exports of goods and services of some NKr 215bn last year, oil and gas accounted for 36 per cent, traditional goods from mainland Norway for 33 per cent, and services—of which shipping accounts for the greatest share—for 27 per cent. The remaining 4 per cent came from the sale of ships and platforms.

Norway's most important markets are Sweden, West Germany and the UK, which together accounted for 43 per cent of the country's exports of traditional goods. Denmark, the US and the Netherlands each have shares of 5 to 10 per cent, followed by France and Finland with less than 5 per cent.

The export of oil and gas to the UK and West Germany make them by far the largest single markets with exports totalling NKr 56bn and NKr 25bn respectively. Norwegian exports to Sweden totalled slightly more than NKr 15bn last year with the US accounting for NKr 8bn and Denmark for SKr 5bn.

Norway's main imports include machinery and vehicles, petroleum products, metals, iron ore and textiles and clothing. Its main suppliers are Sweden and West Germany with imports from these countries totalling NKr 19bn and NKr 15bn respectively, followed by the UK and Denmark.

The high level of oil and gas exports and the country's very healthy external payments position tend to obscure the major problems Norway has had in recent years to halt the deterioration in its competitiveness in traditional export markets.

In its Budget for 1986 the Government warns that "a continued loss of market shares abroad and at home indicates that the sizeable cost of structural problems, which had developed in the 1970s, have not yet been solved."

Speed-up after Sleipner veto

Oil and gas development

FAY GJESTER

OIL FIRST has been the motto of Norway's petroleum exploration and development policy since February, when Whitehall vetoed the £20bn Sleipner gas sales agreement between Statoil, the Norwegian state oil company, and the British Gas Corporation.

Under the deal, struck after more than a year of hard bargaining between BGC and Statoil, Norway would have begun development of the 200bn cubic metre gasfield almost immediately, and supplies would have started flowing to Britain in the early 1990s.

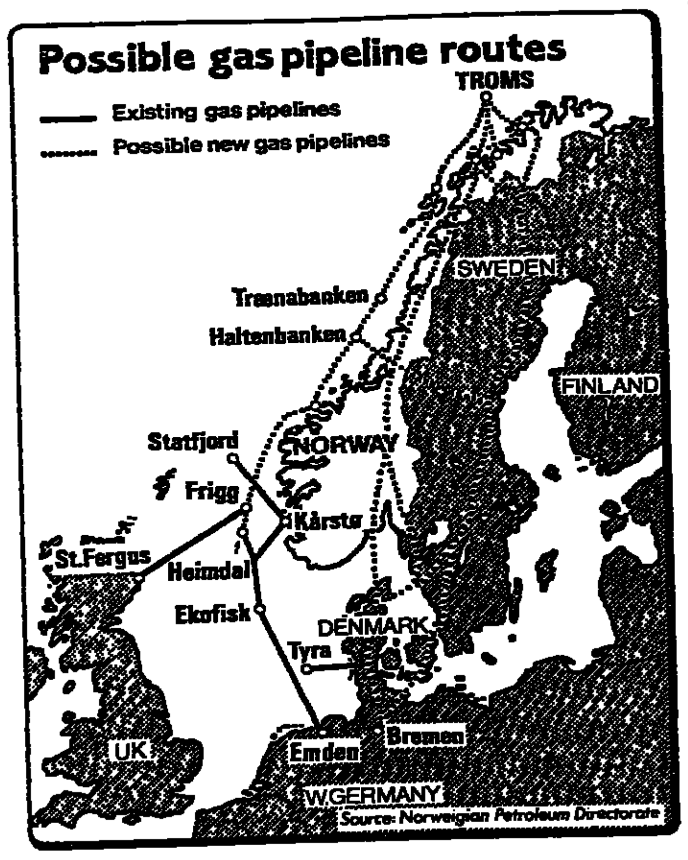
The UK vetoed the deal because, it judged, new gas discoveries on the UK shelf made imports on such a scale unnecessary.

Sleipner would have provided a welcome volume of work for Norwegian fabricators—all former shipbuilders which have switched capacity to offshore construction in the wake of the world shipping crisis. Moreover, revenues from gas sales would have come just in time to replace those from the giant Anglo-Norwegian Frigg field, which will be exhausted soon after 1990.

To close the threatened gap in employment and income, the Government hastily approved phase II of a major oilfield development — Gullfaks. That meant authorising Statoil, operator on the field, to place an early order for a concrete platform to extract oil—and some associated gas—from the eastern part of the Gullfaks field. This part contains approximately half Gullfak's total recoverable reserves of 195m cubic metres of oil (170m tonnes) and 20bn cubic metres of gas.

Gullfaks phase I, a two-platform development of the field's western side, was already in hand, with output scheduled to start in 1987 from the first platform, and 1988 from the second.

Original plans had envisaged bringing Gullfaks phase II on stream by 1996. The post-Sleipner speed up will bring phase II forward to 1990, and will actually mean slightly higher Norwegian offshore investment levels in 1986 and 1987 than if Sleipner had gone ahead. This gives the Government a breathing space in which to bring forward other projects, in order to avoid an investment trough in 1988.



Tax incentives may also be offered. Finance Minister Rolf Presthus said last month that the Government was considering "adjustments" to the existing petroleum tax regime which would encourage oil companies to develop finds hitherto regarded as marginal.

Under the new petroleum law which took effect from July 1 this year, the Government can also compel licensees to initiate a field development. if this is felt to be in the national interest.

A large Norwegian North Sea field on which development work could start around 1989 is Snorre, estimated to contain 99m cubic metres of oil and 27bn cubic metres of gas. Saga Petroleum, the Norwegian operator company, hopes to table a development plan by 1987.

According to Saga's managing director, Asbjorn Larsen, the field could be on stream by 1992. Snorre lies in deeper water — around 330 metres — than any field yet exploited offshore. Its development will require platforms larger than any seen in the North Sea to date, probably incorporating new design principles.

A block (licence area) allocated in Norway's tenth and latest concession round is believed to contain large amounts of oil. If it lives up to its reputation it, too, could be in line for development before the end of this decade. The block — 34/8 — was regarded as the most promising unexplored licence area on the southern Norwegian shelf.

It went to a consortium including Statoil, Norsk Hydro, Saga, Elf and Conoco, with Hydro acting as operator. The first well was due to be spudded early this month.

Exploration above the 62nd parallel has so far found several medium-sized oil fields, with associated gas/condensate, off central Norway, in the Halten Bank area, and one large and two small gas fields further north, in the Tromso Patch zone. The gas discoveries, because of their distance from potential markets, are unlikely to be exploited this century.

The Halten Bank oil finds, on the other hand, could be tapped within the next decade, if further drilling confirms initial reserve estimates, and if an economic system can be established for landing and exporting the associated gas—probably as LNG (liquid natural gas).

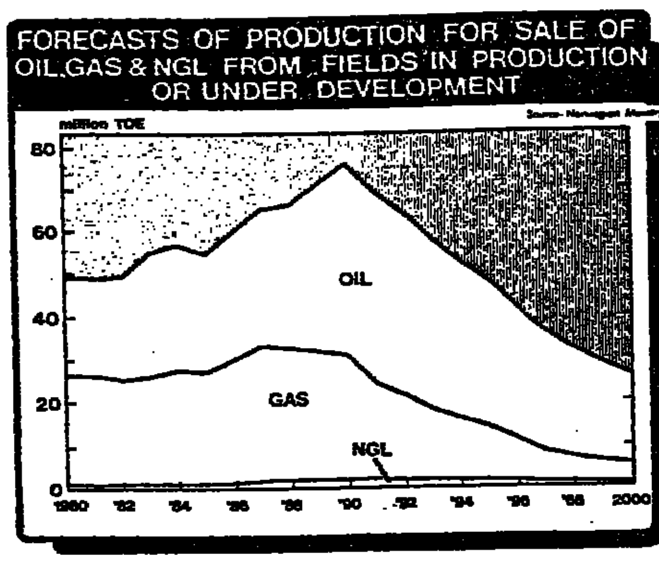
One important Norwegian discovery that almost certainly will not boost investment totals during the rest of this decade is the giant Troll gasfield. Statoil is engaged in somewhat slow-moving negotiations with a Continental European buying consortium which is interested in specified volumes of Troll field gas — but not until the mid-1990s, and then only if the two sides can agree on price. Troll will be costly to exploit, both because it lies in deep water (around 340 metres) and because seabed conditions are difficult.

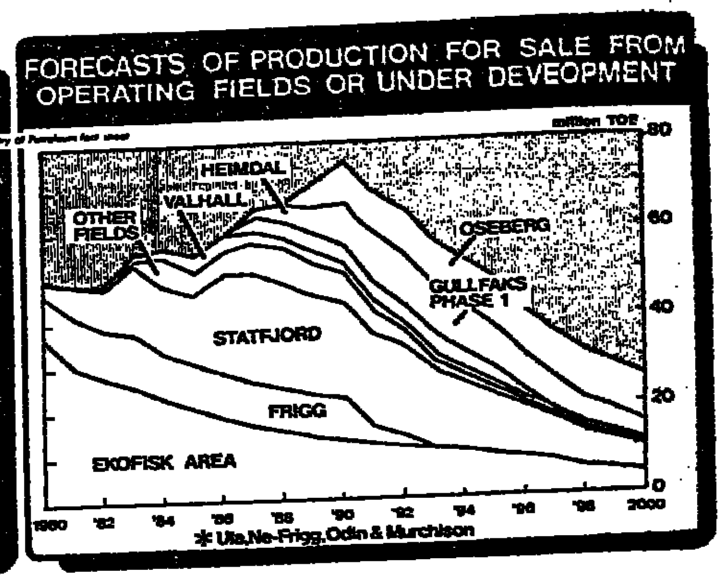
The same companies which are presently negotiating for Troll gas signed an import deal with Statoil, in 1982, for gas from the Heimdal and Gullfaks fields, and for Norway's share of gas from the Anglo-Norwegian Statfjord field.

The figure to which they agreed then is well above today's going rate, and Statoil is now under considerable pressure to agree to a revision. So far, it has consented to a price discount for supplies of Statfjord gas during the four-month running in period of the new 850 km. Statpipe gas-gathering line, which will take gas from all three fields, via Ekofisk, to Emden in West Germany. Deliveries of Norwegian Statjford gas through the line got under way just over a month ago. Heimdal will come on stream next April, and Gullfaks in 1987.

Because of the weak gas market, and Statoil's eagerness to reach an agreement on Troll, it seems more than likely that the "discount" on the 1982 price will be prolonged beyond February 1, when the running in period ends.

This, of course, explains the "oil first" emphasis of Norway's development and exploration policy. With billions of cubic metres of unsold gas on their doorstep, and buyers trying to beat down the price of supplies which have been contracted for, the Norwegians are in no great hurry to find still more gas.





PROFILE: STATOIL

BY FAY GJESTER

Free to become active abroad

STATOIL, Norway's state oil company, was established by a Labour government in 1972, when the Norwegian oil era was just beginning. The aim was to create an organisation which would give the country's political leaders an insight into the workings of the petroleum industry.

At the same time, it would build up national expertise and gradually make this vital new sector less dependent on foreign know how.

Although 100 per cent state-owned, and accountable to the Oil Minister (technically its sole shareholder), the new company was to operate as an independent concern on a commercial basis, free from government interference in its day-to-day decisions.

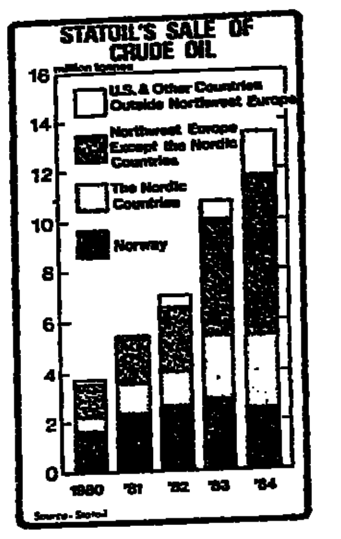
The company hit the jackpot, however, when it was granted its first 50 per cent licence share, in 1973. This was licence 037, covering block 33/9 and 33/12, and it turned out to contain two fields — both overlapping the UK/Norwegian sector boundary. One was Murchison (25 per cent Norwegian), holding estimated recoverable reserves of 52m cu.m. of oil, 1.2bn cu.m. of gas and 2m cu.m. of natural gas liquids (NGL). The other was Statfjord, the largest oil accumulation yet discovered in the North Sea, with recoverable reserves estimated at 405m cu.m. of oil, 48.8bn cu.m. of gas and 12.5m cu.m. of NGL. The reserves split on Statfjord, between Norway and the UK, is 84.09 per cent/15.91 per cent, which gives Statoil 42.05 per cent of the field as a whole.

Statfjord alone would have assured Statoil of huge revenues, even without the many major finds that followed — Gullfaks, Oseberg and Troll, to name the most important. Before the cash began flowing, however, considerable sums had to be invested in the field's development, with Statoil footing almost half the bill.

The first production platform, Statfjord A, took longer to build, and cost more, than the oil companies' original estimates. This led to the first political rows about the state oil company — it was accused of squandering the taxpayers' money (although Mobil, not Statoil, was operator in charge of the development). But when Statfjord A came on stream, in 1979, its output soon repaid its cost, and Statoil earned its first annual profit in 1981.

Then the debate about Statoil took a new turn. Its critics claimed it was threatening to get too rich and powerful. The autumn of 1981 saw Labour ousted from office, and replaced by a minority Conservative Government, which later evolved to a Right-Centre coalition, including the small Christian Democrat and Centre (farmers') parties.

The Conservatives, in particular, were keen to cut Statoil down to size, to put it on a more equal footing with the other two Norwegian companies active on Norway's shelf—Norsk Hydro (51 per cent state owned) and the independent Saga Petroleum (100 per cent privately owned).



The reform, when it came, was relatively tame. It was based on the recommendations of a royal commission which had been mandated to find a way of reducing Statoil's influence without cutting overall state oil revenue, and without diminishing existing state rights under participation agreements.

The commission found that the only way of doing this would be to let the state take over large parts of Statoil's stakes in several existing concessions. In future concessions, a significant stake would be retained by the state, while Statoil's share would not be much larger than Norsk Hydro's and Saga's.

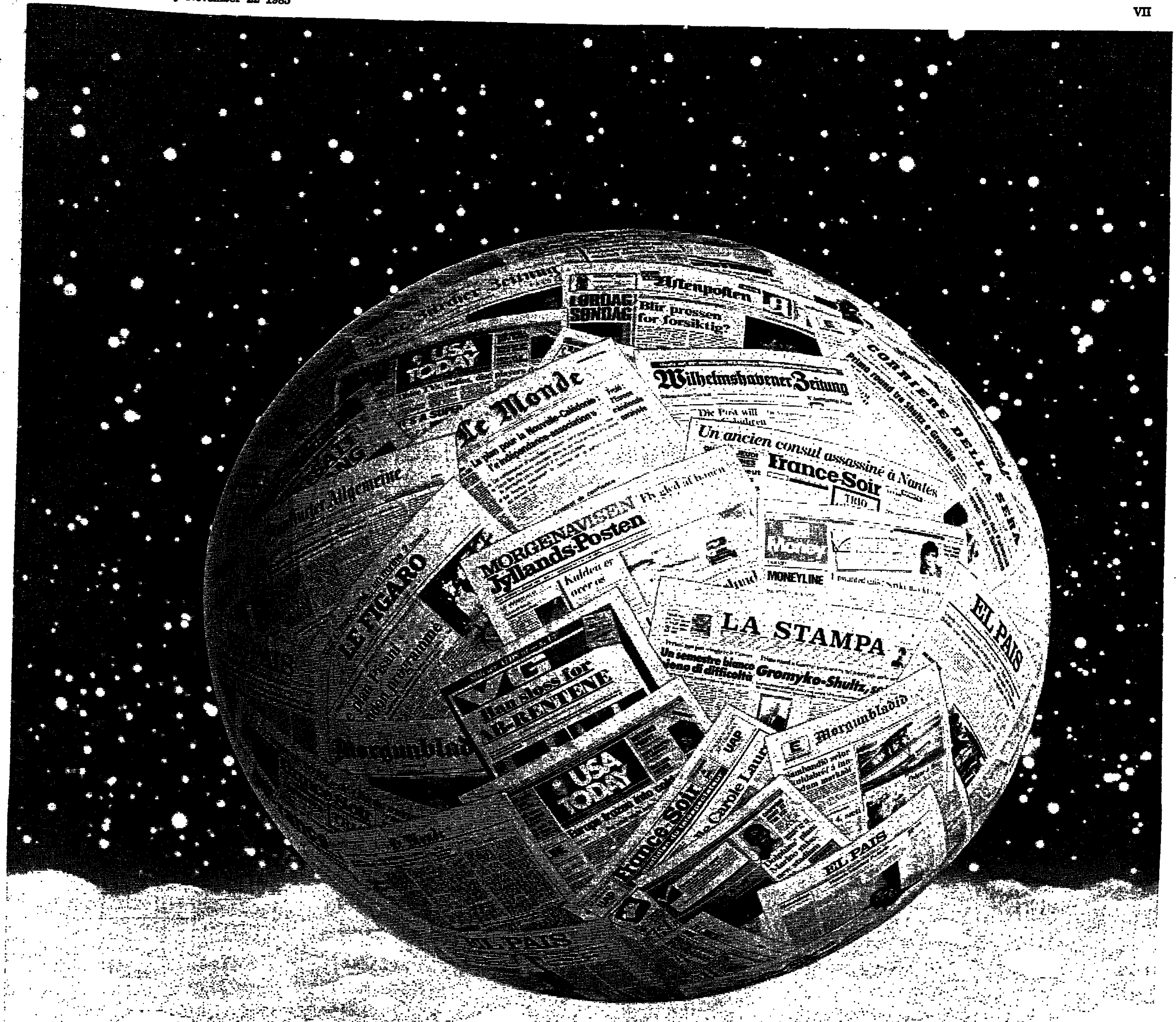
Recognising that some change in Statoil's role was inevitable, the opposition Labour Party offered to compromise with the government about it.

The new deal, which took effect from January 1 this year, requires the state to shoulder a share of the fields' development and production costs corresponding to its ownership stake—so Statoil's outgoings are being cut, as well as its incomings.

A positive change, from the company's viewpoint, is that it is now free to become active outside Norway — an option which has always been open to its colleagues Hydro and Saga.

Where government and opposition agreed to disagree was in the size of the stake Statoil may retain. This has been settled on licences already allocated, and varies from licence to licence. Significantly, the company has been allowed to keep its 42 per cent share in Statfjord, currently its main income source.

The company is operator of the recently commissioned Statpipe gas gathering system (completed ahead of schedule and under budget), and of Gullfaks, one of the two large oil fields now being developed in Norwegian waters. It will take over from Mobil as operator on Statfjord, effective January 1 1987.



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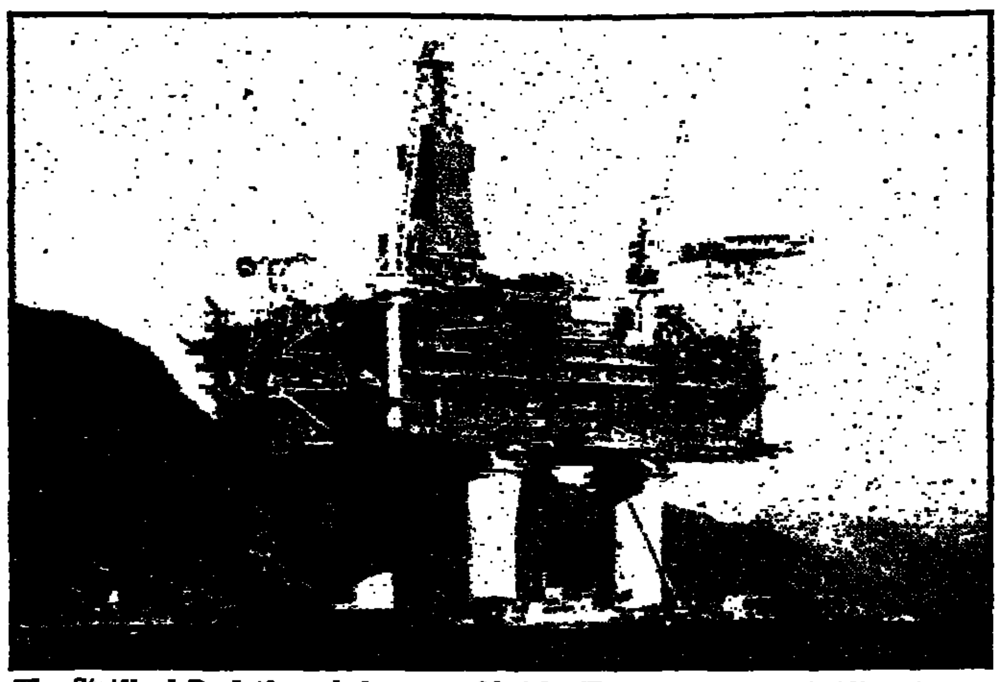


The Statfjord B platform being assembled by Kvaerner group subsidiary Moss Rosenberg Verft

Plan to increase crude sales to US refineries

Oil trading

FAY GJESTER

ANY ANALYSIS of Norway's oil trading policy must start by noting that well over half the crude produced on the Norwegian shelf is not marketed in accordance with any national guidelines. It is the property of the various licensees, in relation to their stakes in producing fields, and they can dispose of it as they wish—selling it to their sister companies abroad, on the spot market, or whatever.

For this reason, there is no such thing as a "Norwegian" oil price, although an official body — the Petroleum Price Council — does set theoretical prices for Norwegian crude, for taxation purposes. These "norm" prices, as they are called, are, however, fixed retrospectively, usually once a quarter, on the basis of market assessments.

Statoil, the Norwegian state oil company, has never played any part in marketing crude belonging to other Norwegian shelf licensees. This is in contrast with the situation previously prevailing in the UK sector, where the then national oil company, BNOC, bought 51 per cent of all UK shelf oil, and resold it. BNOC fixed the purchase price, and because this price was the basis of taxation, the company was tempted to keep the price artificially high.

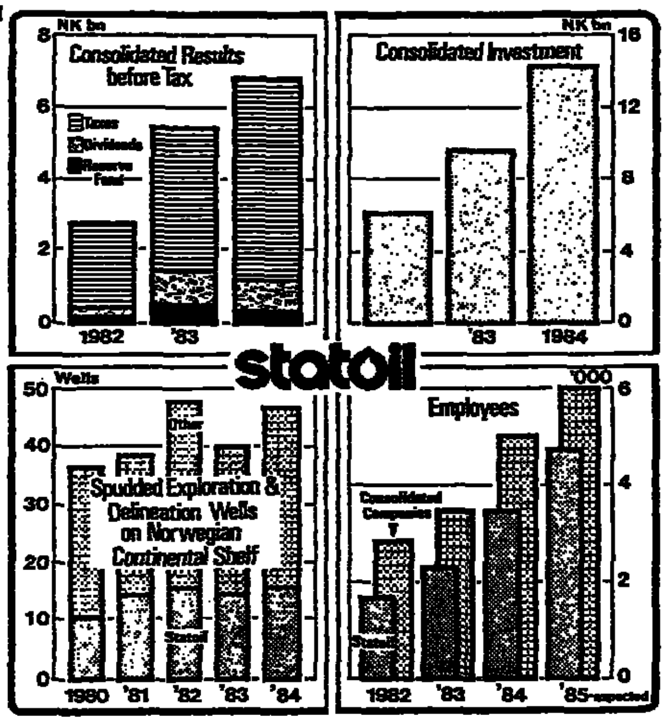
Statoil is responsible for handling its own share of crude oil output, plus the state's share (royalty oil). It does not get the state-owned oil as a gift; it buys the crude from the state and then resells it through its own marketing organisation.

During the first half of this year Statoil's access to crude oil was about 8.3m cubic metres, of which 82 per cent (6.8m cubic metres) came from the company's share of Statfjord field production. In comparison, total Norwegian shelf crude output in the period was about 21.3m cubic metres, of which the Norwegian part of Statfjord accounted for 11.9m cubic metres.

Statoil's half year report says that in January/June 1985 1.4m cubic metres of crude were processed at the refinery in Mongstad, west Norway, in which it has a 70 per cent stake; the remaining 6.9m cubic metres was sold to customers in western Europe and the US.

The state oil company's policy is to aim at long-term contracts with about a dozen key companies. Normally volume is agreed on a yearly basis, related to estimated output in the coming twelve months, while price is agreed from month to month.

Until the fourth quarter of last year Statoil's crude price was agreed quarterly, and made public. Since last autumn, however, the firm has negotiated prices with its customers in confidence — in order, as it says, to avoid "creating controversy." The prices it charges are the best it can get in the market.



Decision

"We could not follow the fictitious prices fixed by Opec and — for a time — by BNOC," explains Statoil spokesman Hakon Lavik. "If we had done that, we would have lost all our customers."

While most of Statoil's crude is sold under long-term contracts, it does from time to time have extra amounts to dispose of — partly because output cannot be predicted exactly and it will not commit itself, under the long-term deals, to supplying more than it is quite sure it can deliver.

These extra lots are sold either on the spot market or to one of the company's regular customers which may happen to require an extra load. Overall, about 85 per cent is sold long-term, and the rest spot.

Statoil's most important crude customers are oil concerns with their own refineries and marketing outlets in Western Europe. Sweden, where the company is in the process of acquiring Exxon's oil products and petrochemicals activities, was its largest single export market last year, but Britain and the Netherlands were also important.

Because West European crude demand is expected to be stagnant over the next few years, Statoil wants to expand its sales — already significant — to the US. The kind of light, sweet crude it has to sell is ideal for US refineries, and US crude usage is growing.

A crude oil storage terminal with capacity of 1.3m cubic metres which is being built for Statoil at Mongstad, near the refinery, will facilitate exports to the US. At present, oil for this market is moved from Statfjord by the relatively small "shuttle" tankers specially equipped to buoy load from the field, and transferred to larger vessels at Mongstad.

This is a costly process, because the big tankers often have to wait several days to collect a full load. The purpose-built shuttle vessels cannot leave the North Sea area. Ship to ship transfer is also somewhat risky, involving the chance of spills.

Once the Mongstad storage facilities are ready — early in 1988 — large tankers can collect full loads in one operation. Statoil will also be able to use the storage capacity as a market buffer, allowing it to take advantage of price variations on the short-term market.

ENGINEERING PROFILE: KVAERNER GROUP

BY DAVID BROWN

Success in offshore sector

THE LEADING producer in Norway's heavy engineering and offshore fabrication sector is Kvaerner Industrier, with annual sales of some NKr 5.2bn. Growth has been based largely on traditional Norwegian strengths—shipbuilding, hydro-power, wood processing and fishing—but the offshore boom brought important changes.

Roughly two-thirds of turnover is generated by the offshore sector, while it remains a significant producer of hydro-electric power generation and transmission equipment for domestic and international markets.

"We expect the offshore market to continue playing the main role in our operations for the foreseeable future," says Mr Carl Rotjer, group president.

It has also emerged as one of the largest shareholders in Saga Petroleum, one of the country's three biggest North Sea oil companies.

Kvaerner's shipbuilding division has seen a steady decline, mirroring the crisis in the sector, and it has closed all but one of its new building yards. The survivor is concentrating on specialised liquefied petroleum gas carriers. The market for gas carriers is expected to remain weak through 1985, but an improvement in this sector could have a substantial impact in the medium term.

Continuing a rationalisation programme, the company announced plans to merge its Nye Fredriksstad mek, Verksted and Moss Rosenberg Verft yards, forming the group's largest division. This is expected to involve further layoffs.

The shipping interests continue to run up losses and a substantial deficit is predicted this year.

The group, which is generally conservative in its earnings forecasts, none the less expects its 1985 result before extraordinary items to climb by 10 per cent to NKr 320m.

Kvaerner also has a strong financial position, with liquid assets of NKr 1.31bn and large hidden reserves in written-down shipholdings, plus the advantage of customer financing of large offshore contracts.

A breakthrough in the offshore sector, with large orders for the Oseberg A and Gullfaks A, B and C projects, mean the group's order backlog at the eight-month point stood at NKr 4.05bn, up 22 per cent.

Kvaerner is Norway's biggest supplier of water turbines for hydro-power generation and is also an important producer of machinery for the wood and fish processing industries. Kvaerner Brug's water power division is concentrating heavily on export orders, and has won several significant international contracts.

The group's engineering division is Norway's largest consulting operation in the oil and gas sector, working in the Norwegian and UK North Sea fields, and the normally cautious Mr Rotjer expects a much higher result in 1985.

For the medium and long-term, Kvaerner is investing heavily in new offshore technologies, including deep-water trenching and sub-sea production systems.

"Oil activity is moving into harsher climates and deeper waters further north," says Mr Rotjer. "Platforms are getting too big and costly.

"This represents a huge potential for the Kvaerner group, but all of this is a risky venture, especially given the new competition."

But with a large protected home market, the risk in Kvaerner's offshore operations may be slightly overstated.

Industry's hopes raised by new surge in exports

Engineering

DAVID BROWN

NORWAY'S engineering industry is in the middle of a broad upswing, with strong order books and growing exports.

As the largest industrial sector in Norway, it generates 37 per cent of employment (117,000 people), and 27 per cent of production value (NKr 54bn), more than a quarter of which is exported primarily to European Free Trade Association and EEC markets.

The upswing comes from a relatively low level. In 1984, total turnover among engineering companies climbed only 3.9 per cent, while profitability declined by 1.5 per cent. For the first half of 1985 production, excluding ships, offshore platforms and rigs which account for about 20 per cent of the total, climbed by 7.7 per cent. This was more than double the industrial average.

Much of this increase was generated by higher exports, although the Federation of Engineering Industries says imports rose at a faster rate. The improvement was especially marked in the machinery industry, which rose 8.6 per cent. Since offshore construction remains at unchanged levels, this implies a strong improvement in non-offshore industries.

Norway is strong in specialised segments of the electrical engineering industry. It pioneered the development of small- and medium-scale hydro-electric power equipment. It is hoped that this expertise will lead to further export opportunities, particularly in developing nations.

The largest company in this field is Elektro Union, producing among other things transformers, generators, and electrical equipment with an annual turnover of NKr 2bn. Much expansion has been generated on export markets, and it has opened subsidiaries in Malaysia, Sri Lanka, and Tanzania.

The building and construction industry is also well developed in this sector, with expertise in dynamiting and tunnelling for mountain terrain.

In the offshore branch, the Federation warns of a dramatic decline after 1988 unless decisions are taken soon to develop new fields. The largest producer is the Aker group, which has withdrawn from shipbuilding after a near collapse in 1983 and is concentrating on the profitable segments of the offshore sectors and property development.

Its order books are filled by several large contracts over the next two years, and a healthy improvement in profits is expected this year. But the company warns of considerable layoffs if new orders are not received. The Norcem group is poised to become Aker's largest shareholder, with a stake of up to 54.8 per cent.

Overall transport sector production declined by 5.9 per cent during the first half but this was mainly due to continued weakness in shipbuilding.

Since 1980 the crisis in shipbuilding has had a severe impact in Norway, forcing extensive shutdowns and rationalisation, leading to a 45 per cent drop in production since 1980.

"There is nothing left," says Mr Gunnar Reksten, director of the Norwegian Shipowners' Association.

But ship's gear and auto-component producers reported stronger developments. "When the shipbuilding crisis hit, we expected it would affect ship's gear as well, but this hasn't happened," says Mr Bjorn Osleby, director of the Engineering Federation.

"Companies have managed to find new niches and markets, including the Far East. We are still close to the shipbuilding market."

Automation

Exports account for 75 per cent of ships' gear sales. High labour costs prompted the early development of advanced automated equipment. Among the leaders are Trosvik (steering systems), Thune Eureka (pumping systems) and National Electro (electrical/instrumentation gear).

In the automotive sector, with annual sales of some NKr 1bn, Tralifa's robot division was acquired by Asea, the Swedish electrical engineering group. Kongebergs Vapenfabrik also has extensive production of forgings, machined parts and assemblies.

Overall, the situation has brightened considerably. The Federation has forecast a radical improvement in the industry's fortunes this year, pointing to a 30 per cent increase in orders.

In some sectors the upswing is even stronger: machinery is up 60 per cent and electronics and electrical engineering up 47 per cent. But this has not been accompanied by an increase in new investment, according to the central statistical bureau, SSB.

Profitability remains relatively low with persistent overheating caused by the oil sector soaking up labour supply and driving up costs.

PROFILE: WILH. WILHELMSEN

BY HILARY BARNES

Decade of movement offshore

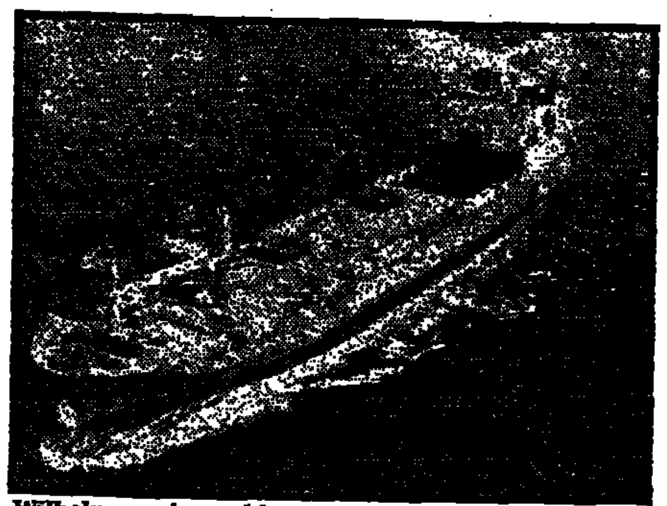
WILH. WILHELMSEN is one one of Norway's oldest shipping companies and one of the biggest, with a fleet of about 100 vessels in liner services, tanker/bulk/and specialised shipping as well as off-shore services and drilling. Group growth revenue in 1984 was NKr 6.29bn.

Over the past 10 years the 125-year-old company has undergone a transformation. In 1973 it was Norway's biggest tanker operator and exclusively in sea transportation. "Today, we have only a handful of product tankers left and two-thirds of our income comes from the off-shore interests," said Mr Ivar Leovald, the managing director.

A further significant change is on the way. For the first time WW will raise money in the equity market by the issue of 2m shares. This will raise about NKr 240m and dilute the family holding from about 90 per cent to about 70 per cent.

Part of this money will be used to develop new activities. "We need to build up at least one new activity which is neither sea transportation nor off-shore," Mr Loevald said. "We shall try to capitalise on our international position to export Norwegian products and services."

Last year Wilhelmsen made NKr 180m before tax on revenue of NKr 6.29bn. It expects a similar return in 1985.



Wilhelmsen is seeking greater co-operation among European companies, like its interests in Barber Blue Sea

Off-shore activities include a division operating eight rigs, two "flotels" and a tender support vessel. The rigs include Polar Pioneer, delivered this summer and designed for Arctic waters.

The off-shore fleet totals 64 service vessels, many on contract to Brazil, in the US Gulf, Africa and the Mediterranean.

"We have been able to prepare and train at home before going into export markets," Mr Loevald said.

In 1984 WW and Wharton William Taylor of Aberdeen started up Wilhelmsen Underwater Engineering for inspection, maintenance and sub-sea construction. WW also operates Willbar Off-shore with Brown and Root, for heavy marine construction activities.

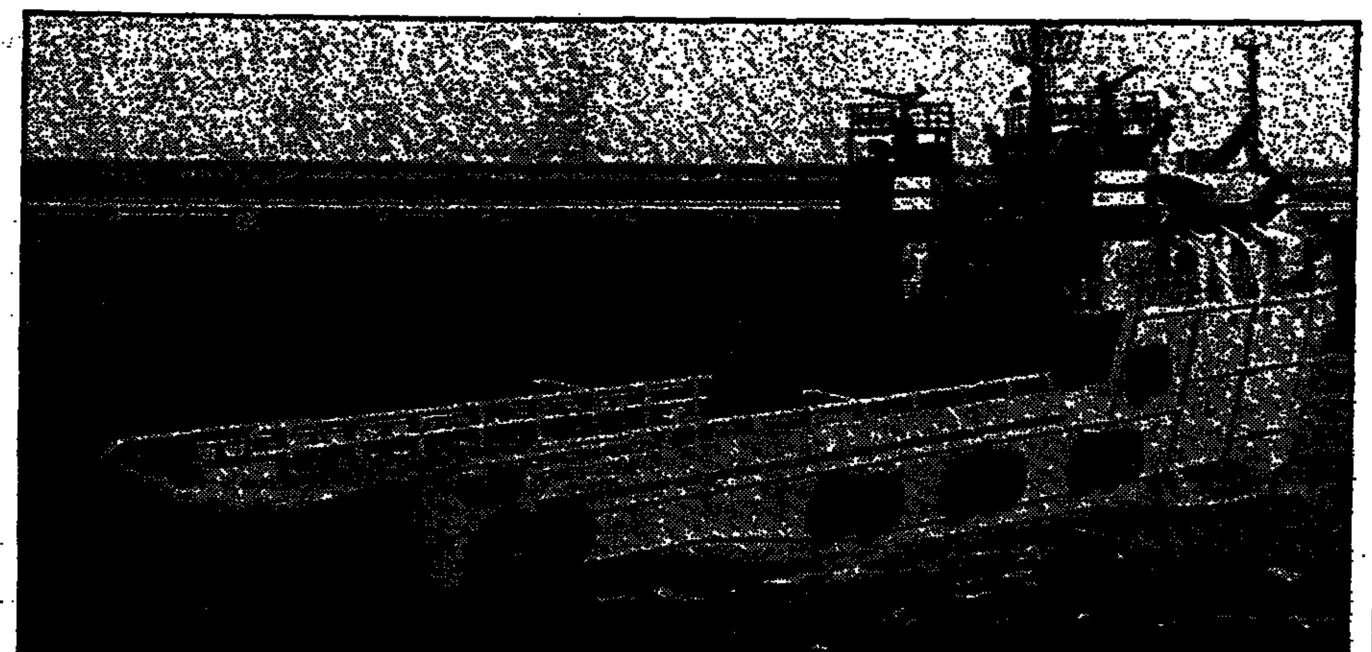
WW is atypical of Norwegian shipping in that it is heavily engaged in liner business. This includes co-operation in Barber Blue Sea, in Scandutch and in Rosa Line, a new grouping with Finn Carriers of Finland, Johnson-Line of Sweden, and DFDS of Denmark. Rosa will operate between Europe and South America

Greater co-operation among European companies is part of WW's policy. "The best defence against the new Far East carriers is to join forces and utilise economies of scale even more. Rationalisation can go a lot further if we co-operate more," Mr Loevald said.

The company now has only four medium-sized product tankers and its large bulk-carrier fleet has faced a disappointing market. But car-carriers are continuing to make reasonable profits. Its newest car-carrier is operating with a crew of only 14, compared with a normal 20.

"To be able to agree with the unions to operate with 14 is a breakthrough," Mr Loevald said.

Fewer than half the new ships contracted by the company will operate under the Norwegian flag as foreign flags are essential for market penetration. Offshore supply vessels now operate under the US, Brazilian, Italian, Panamanian and UK flags, and there are other ships under the Liberian, Singapore and Hong Kong flags.



Supply and service vessels for the North Sea rigs make up a quarter of shipping activity and have helped stabilise revenue

Shrinking fleet flees the flag

Shipping

HILARY BARNES

NORWEGIAN shipping has come through the past decade of virtual continuous crisis in world shipping in better shape than many other countries, largely as a result of the development during the same decade of the Norwegian off-shore sector, the strong maritime environment in Norway, and a policy of accepting flag transfers as the price of gaining market access.

This year, however, developments have taken a turn which has alarmed the Norwegian Shipowners' Association, and this autumn they presented an action plan to the Government with a view to restoring confidence in Norwegian shipping.

In the first nine months of 1985 the Norwegian-owned fleet was reduced by 56 ships and 6.2m dwt, and the pace at which ships are being transferred to other flags accelerated — with 39 vessels totalling 1.1m dwt coming under foreign registration in the same period. A new and disturbing feature of this year's developments is that capital - intensive ships, especially gas and chemical carriers, are also leaving the fleet, according to the association.

While surplus capacity in world shipping and the consequent state of the freight markets is the primary reason for the reduction in the fleet and the flight from the Norwegian flag, shipowners feel that they are also threatened from another flank.

The Government is planning to introduce a system by which all Norwegian-owned ships which, for any reason whatever, call at South African ports will be placed in a register open to public inspection. The Government also wants to ban Norwegian ships from carrying oil to South Africa.

The shipowners see the registration proposal as a form of pillory or witch-hunt and the restriction on cargo carrying as likely to have dire consequences for Norwegian shipping.

"There is a gap between the political perception and the commercial reality," said Mr David Vikoeren, director general of the shipowners' association. "The implications of measures to this effect are very serious for Norwegian shipping.

The gross revenue of shipping companies is, in constant price terms, about the same today as it was 10 years ago, which is a considerable achievement in view of the state of world shipping. There are two main reasons for this.

"We have an offshore sector, and about 25 per cent of our activity is now in that area — supply and service vessels, drilling rigs and flotels. This leg has been important to us.

"The second factor which distinguishes us is that about one-third of the fleet is now under foreign flag, and flag transfer has been an offensive measure enabling us to gain market entry," Mr Vikoeren points out.

In 1974, the Norwegian-owned fleet consisted of 1,228 vessels totalling 39m dwt, of which very few were under foreign flags. On October 1 this year, the fleet consisted of 698 vessels totalling 20.7m dwt and of these some 342, totalling 8.7m dwt, were under foreign flags. In addition, there are 28 drilling rigs under Norwegian flag and 19 under foreign flags.

Manning

In 1974 there was an embryo fleet of 26 offshore supply ships: today there are 187. The number of tankers in the fleet has declined from 344 to 189 and of bulk carriers from 260 to 65 over the same period.

Government policy has played a positive role in facilitating the changes in Norwegian shipping. "We have adopted a more liberal flag transfer policy," said Mr Asbjoern Haugstvedt, Minister of Commerce and Shipping, pointing out that the change in practice was made in 1981 when a Labour government was still in office.

"The main criterion for allowing flag transfer is that it gives access to cargoes. We are trying to internationalise shipping in the same way as industry."

Manning requirements have also been reduced in step with technological change, which has helped to hold down the operating costs of ships. Manning levels on Norwegian sea-going vessels are among the lower levels permitted by West European governments.

Amid all the problems, some sectors of the traditional shipping business have remained profitable, often because the Norwegian owners are able to introduce new and more rational solutions ahead of the competition. Car carriers, in which Norway accounts for about 10 per cent of a world fleet dominated by the Japanese, pulp and paper carriers and cruise vessels are among those which have stayed profitable.

Norwegian Caribbean Line, the Kloster Line, and Royal Caribbean Cruise Line are among the world's largest cruise operations. It is sometimes said of the Norwegian cruise vessels that they provide more bed-nights a year than the entire Norwegian tourist industry.

Discouraging

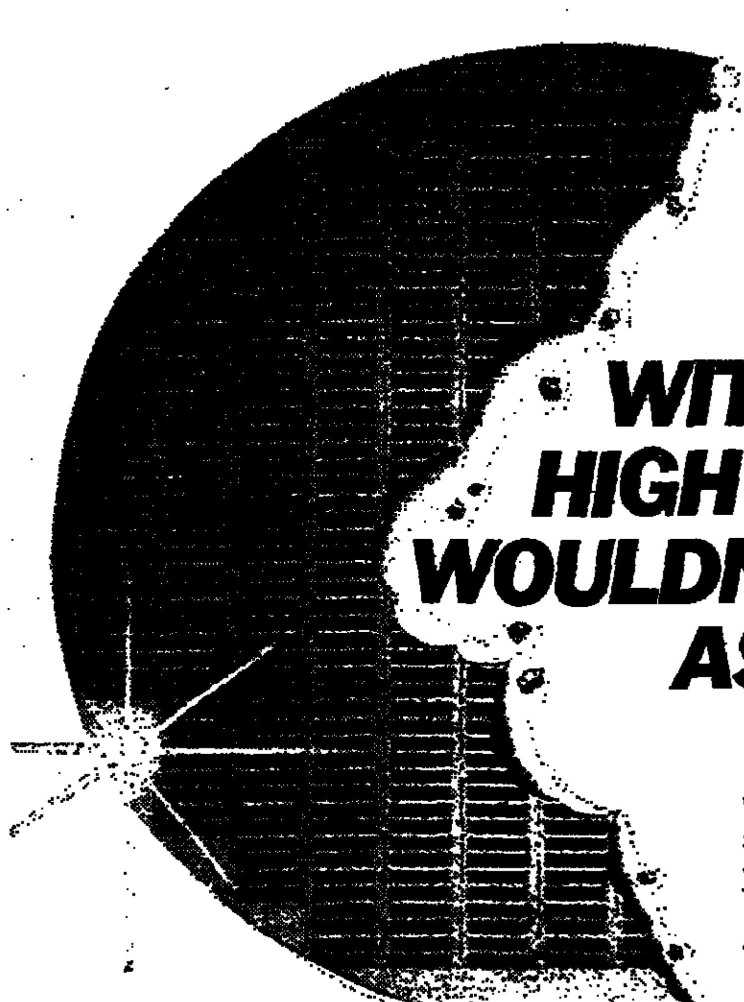
The overall profitability in Norwegian shipping, however, leaves something to be desired. In 1984, according to the Shipowners' Association, the shipping companies made a net loss of NKr 1.3bn (profitable companies made NKr 3.2bn and loss-makers lost NKr 4.5bn). A similar result is expected again in 1985, which has seen several shipping companies running into trouble as a result of low freight rates and falling ship values.

If the immediate situation is discouraging, however, Norway's position as an international maritime centre provides it with a strong basis on which to build for the future. Norwegian shipping is more than just the shipping companies: it is an important centre for ships brokers, for classification (by Det Norske Veritas), for management know-how and research and development.

The purpose of the shipowners' action plan is to build on this basis. "We want to place shipping on the offensive again. We are trying to stop the loss of confidence in operating ships under the Norwegian flag," said Mr Vikoeren.

The plan does not involve a request for subsidies. The plan is intended to bring about a substantial increase in research and development in combination with improved education, training and recruitment.

A substantial increase in government spending on research and development is envisaged, but on a 50:50 basis with the shipping companies themselves. The association also wants reductions in the charges levied on shipping to finance the coastal directorate and some other maritime services usually financed in other countries through government budgets.



Fears rise over excess capacity

Metals

DAVID LENNON

FLUCTUATING PRICES and a slowdown in consumption resulting in excess production capacity have Norway's metals industry worried, in spite of the country's many natural advantages.

After the record-breaking profits of last year, 1985 has *proved to be a disappointment* for an industry which is so vital to the country's economic health and goal of full employment.

Backed by abundant resources of hydro-electric power, Norway is one of the leading producers of aluminium — only Canada exports more — and cheap power has enabled the country to become the top exporter of ferrosilicon, silicon metal and magnesium.

While hydro-power has been the mainspring of energy-intensive production, local raw materials also represent valuable assets. High-quality quartz quarried from the Norwegian mountains is employed in most of the ferrosilicon and silicon metal produced domestically. Other local inputs include coal and coke, iron and zinc ores and dolomite or seawater for magnesium.

Sheltered deep-water ports in the fjords and proximity to the most important markets in western Europe (which take 75 per cent of production) provide further advantages in selling the metal goods which account for some 30 per cent of Norway's exports.

Three large companies and a dozen smaller ones are engaged in metals production, which accounts for 25 per cent of the investment, 15 per cent of the added value and 10 per cent of the employees in the country's manufacturing industries.

Aluminium production is dominated by the state-owned Ardal og Sunndal Verk (ASV), with three smelters which delivered 368,000 tonnes of primary aluminium last year. Production has been cut 10 per cent this year and profits are expected to be down to NKr 400m, compared with the record NKr 1bn in 1984, according to *Mr Erik Onarheim, the company's* chief financial officer.

ASV was the subject of a takeover attempt by Norsk Hydro early in 1985. Company officials believe that this attempted amalgamation is now dead and are looking for a partner in the European Community, seen as ASV's natural market.

Norsk Hydro, though more commonly associated with fertilisers and oil, is also a main manufacturer of light metals. It produced 160,000 tonnes of aluminium last year. The company owns extrusion plants in Europe and the US and provides 25 per cent of the world market for magnesium, with an annual capacity of 50,000 tonnes.

Good profits from magnesium sales this year more than offset the weaker prices which Norsk Hydro received for its aluminium and kept the light metals division in the black.

The country's largest metals concern is Elkem, a leading producer of ferroalloys and silicon for the West.

Elkem owns or has substantial shareholdings in 30 production plants in Norway, Europe and North and South America. It is also the largest supplier of metallurgical technology and production equipment for the smelting industry, according to the information supplied during its successful bid for listing on the Stock Exchange in London this year.

Energy

With Elkem's decision to withdraw from the steel business and the sale of this operation to Norsk Jernverk this summer, the state-owned company is the only one still producing steel in Norway. This has left the Government to carry the losses sustained by the plants, which have a capacity of 1.35bn tonnes of a metal suffering world-wide overcapacity.

Increasing competition, weakening markets for leading items such as aluminium, silicon and ferroalloys and fluctuating prices, mean the industry is constantly searching for new products to ensure future markets. One example is microsilica dust, previously a waste product from smelters, now being sold as an additive to concrete and other materials to enhance strength.

There is a growing awareness among the producers in Norway that within a decade or so there will be more limited expansion of hydro-power as exploitation of the nation's water resources reaches capacity.

Given that cheap electricity lies at the base of the industry, this longer-term concern has been brought into sharper focus by the Government's intention to raise the cost of energy. The industry has criticised the Government for taking such a step when the struggle for markets is becoming tougher.

But this is also pushing the companies to upgrade and produce more refined products to avoid the fate of other traditional industries like textiles and car manufacturing, which have moved to lower-cost producing countries.

There is also considerable anger in Government and business circles over the EEC's investigation into charges that Norway has been dumping aluminium, ferrosilicon and silicon carbide in Common Market countries. *Officials in Norway* say the culprits are subsidised competitors such as Brazil and other countries with protectionist barriers to free trade.

Improving production processes, developing new metals and going further downstream to ensure markets for the primary products are the goals which Mr Christopher Owe, director-general of the Ministry of Industry, says the industry must aim for as Norway seeks to improve its market position in an increasingly competitive industry.

Upsurge boosts exports

NORWAY'S traditional industries which are based on the exploitation of cheap hydro-power, such as chemicals, will soon be investing more on modernising plants and seeking new products than on increasing output capacity at a time when the world market is uncertain.

The overwhelming importance which oil activities have assumed in the economy has overshadowed the role of the more traditional industries. They remain vitally important, not only for export earnings, but also for providing employment in a nation which views the right to work as an entitlement no less than health care and good transport.

The Government's desire to see the traditional industries strengthened to maintain a balanced economy is expressed in the loans, grants and guarantees available. Attainment of this goal has been made slightly easier thanks to the upsurge in overseas demand for chemical raw materials, which led an export revival in 1983 and 1984.

Because of its full employment policy, the Government is willing to help smooth problems for the industry during short-term recessions, according to Mr Christofer Owe, director-general of the Industry Ministry. But the Government will encourage restructuring if necessary, he said.

The emphasis on ensuring the good health of industries such as chemicals derives from the awareness that oil and gas are finite and that prices fluctuate.

In addition to hydro-power, Norway has been able to capitalise on feedstocks from the North Sea gasfields to build a growing presence in the petrochemical and fertiliser industries, and also to expand rapidly abroad in both fertilisers and plastics.

The chemicals industry is dominated by Norsk Hydro, one of the largest companies in the country. It has a leading position in the world fertiliser industry thanks to annual capacity of about 8m tonnes and recent massive expansion into downstream activities abroad.

Chemicals

DAVID LENNON

Norsk Hydro's petrochemicals division controls annual production of 350,000 tonnes of ethylene, 70,000 tonnes of propylene, 100,000 tonnes of ethylene dichloride, 450,000 tonnes of vinyl chloride, [illegible]00,000 tonnes of polyvinyl chloride, 300,000 tonnes of chlorine and 280,000 tonnes of sodium hydroxide.

The company's petrochemical production is based on natural gas liquids shipped from shared fields in the North Sea to Rafnes in Bramble as liquid ethane, propane or normal butane.

Operating profits of the petrochemical *division* in the first nine months of the year were down to NKr 87m, compared with NKr 323m in the same period last year. The company attributes this to lower prices in 1985 but stresses that market conditions have improved and that sales volume is satisfactory.

Some 35 per cent of western Europe's production of silicon carbide comes from three small companies. Arendal Smeltverk, [illegible]rton and Orkla Exolon, with production capacity of just over 75,000 tonnes annually.

Odda Smeltverk has a capacity of 130,000 tonnes of calcium carbide and 15,000 tonnes of dicyandiamide. *Elkem,* basically a metals concern, also has a 110,000 tonne capacity for calcium carbide.

But Elkem's move into chemicals, and the establishment in 1982 of a separate company within the group for this purpose, resulted from the development of a process for filtering gases from ferroalloy production. The new technology made it possible to collect the microsilica particles in the waste and turned Elkem into the world's leading producer of the new commodity.

Microsilica additive compositions give concrete plastics and polymers improved properties.

The Norwegian chemicals industry has been undergoing restructuring in the effort to maintain and enlarge market shares in the face of tough competition from other countries.

Research and development is being intensified, although Norwegian industry does not have the advantage of that in countries such as the US, where large sums for research come from big defence budgets.

Dyno Industries, however, a plastics, chemicals and explosives group which Norsk Hydro took over last year, is planning to purchase the explosives division of Hercules, a US chemicals group. Last year Dyno bought another US explosives company, Ireco. Dyno's aim is to become one of the world's main producers of commercial explosives.

This year has been a disappointment to the metals industry after record 1984 profits

PROFILE: ELKEM

By DAVID LENNON

Hunt for special niches

ELKEM, the Norwegian parent company of an *international metals group engaged* mainly in the production of aluminium, silicon and ferro-alloys, has just completed a restructuring process which is intended to lead to more refined products with higher added value.

"We want to upgrade all our existing products," explains Mr Kaspar Kielland, Elkem president and chief executive officer. The company "wants to get out of bulk metals and alloys and develop special products with their own market niches."

Beginning in 1978, the company has gradually divested itself of its steel operation which provided one third of revenue in 1980. The final departure from steel came with this year's sale of Manchester Steel in the UK.

Elkem has also stopped *copper mining, which* accounted for another 5 per cent of sales in 1980, has ended its zinc mining operations, and dropped a few small manufacturing operations.

The restructuring of the group, together with favourable market conditions for its main products, resulted in 1984 being a record year. Turnover increased some 30 per cent to NKr 7.8bn ($1bn), pre-tax profit rose from NKr 98m in 1983 to NKr 526m last year, and the dividend was raised by NKr 2.70 to NKr 8.50 per share.

However, in spite of the streamlining, Elkem's pre-tax profits for the first nine months of 1985 was down to NKr 274m, compared to NKr 372m in the same period last year. This was due, according to the report for the third quarter, to a decline in the market for aluminium, silicon and ferro-alloys, with prices down between 4 and 20 per cent.

Elkem's US activities operated at a *loss through*out the third quarter and rationalisation measures, including staff cutbacks, are now being implemented in an effort to improve results.

Furnaces

In the 1980s Elkem has become increasingly international in its interests and outlook. Exports from Norway and overseas production accounted for approximately 85 per cent of turnover in 1984 and almost 30 per cent of the group's employees are overseas.

It was not always so. Founded in Oslo in 1904, the company began as a research and engineering operation.

By 1950 it had beecome a major supplier of furnaces and other production equipment. In *the following* decades Elkem diversified and expanded domestically where it acquired or built a number of ferro-alloy plants and became involved in aluminium.

In the early 1960s co-operation began with Alcoa, the leading producer of aluminium in the US. But the largest foreign adventure came in 1981 with the purchase of the ferro-alloy business of Union Carbide. This consisted of three plants and a technology centre in the US and two plants in Norway, as well as the option, since taken up, to acquire two plants in Canada. In addition, the purchase included five power stations in Norway, Canada and the US.

All this helped to establish *Elkem's position as a leading* producer of ferro-alloys and silicon in the Western world. Half the world's silicon chips use the Elkem product.

Silicon and ferro-alloys accounted for 53 per cent of last year's turnover at just *over NKr 4bn.* Aluminium provided 17 per cent of turnover. The company's largest market is Europe, taking more than half of sales, while North America accounts for another 25 per cent, and the domestic market about 15 per cent.

New products which are being developed and marketed include microsilica, which is based on the dust from the company's metal plants.

Mr Kielland says Elkem is also looking into the possibility of mono- and poly-crystal production for the development of silicon wafers. The UK company Crystalox of Oxford, which was bought last year, is involved in developing the wafer technology.

The future also holds the promise of additional new materials based not only on silicon, but also on quartz and even ceramics, which would utilise the nepheline syenite which is mined in Norway by Elkem.

PROFILE: NORSK HYDRO

By DAVID LENNON

Buying into world supremacy

The name of Norsk Hydro has spread with much speed through Europe's fertiliser business in recent years.

With a rapid series of purchases of European companies in the Netherlands, Sweden, the UK, Denmark, West Germany and a nearly completed deal in France, Norsk Hydro has established itself as the undisputed world market leader in the fertiliser industry.

The decision to plunge so heavily into the troubled business was striking. For even though it was the world's first producer of nitrogeneous fertilisers, back in 1905, in recent years Norsk Hydro has been earning as much from oil, gas and light metals, as from its agriculture and chemicals division.

Today it is a highly diversified company with widespread operations overseas.

Norway's plentiful supply of cheap electricity was behind Hydro's expansion beyond fertilisers into the production of magnesium, aluminium and PVC. The company originally became in*terested* in Norway's North Sea riches in order to secure cheaper raw materials.

Although oil and gas provided one third of sales last year, the acquisition strategy of recent years has been most noticeable in the agriculture division. Hydro followed a classical strategy of forward integration, becoming large in each activity to gain full benefit of large-scale production. It has also consciously and aggressively acquired companies and markets to ensure outlets for its production.

The company now has 37 production units in Europe, of which only six are in Norway. More than half of these units are in the chemicals field.

Expansion

The second largest industrial group after Statoil, the state-owned oil company, Hydro had a turnover of NKr 35.6bn ($4.56bn) last year, with after tax profits of NKr 2bn. Net profits are up 22 per cent this year, *according to the third quarter report.*

The company's fertiliser operation managed to make profits even during the fierce competition and heavy losses suffered by the industry in recent years. But these tough times have only served to *spur the company to set out* on what have been described as its "Viking raids" into Europe to buy up companies which at first glance would appear to be uninviting prospects for a group bent on profitable expansion.

Lacking a big home market, Hydro has compensated by overseas expansion, seeking to maintain a technological lead and investing in the most modern plants.

An example of this kind of spending was the decision to spend NKr 1bn to modernise the fertiliser plants bought in 1982 from Fisons in Britain.

Today Hydro claims that it has a leading position technologically in compound fertilisers and that it has improved the ammonia-making techniques bought from abroad by reducing energy consumption, which accounts for the greater part of production costs.

When its early venture into petrochemicals ran into heavy losses due first to technical problems and then the recession, Hydro did not quit. Instead, it reached out to the UK to buy up BIP Vinyls and Vinatex, merging them into Norsk Hydro Polymers. Together with other acquisitions, the group now has total annual capacity of 300,000 tons of PVC.

Given that Hydro's production of vinyl chloride monomer (VCM), an intermediate in the PVC production process, is 500,000 tons annually, it may not be long before further raiding is revealed as the company seeks more customers for its VCM production excess.

Call for aid in five-year plan

Electronics

DAVID BROWN

THE Norwegian electronics industry may seem to be doing well, but this is only in relation to the rest of the industrial sector, according to Mr Helge Christensen, chairman of the Norwegian Electronics Industry Federation and managing director of Kongsbergs Vapenfabrik.

The federation has tabled a five-year strategy which calls for government aid to combat important problem areas. These include a growing shortage of qualified technicians, and relatively low exports.

The industry employs 15,000 people and generates NKr 7bn in turnover (roughly 42 per cent of which is sold abroad). The eight largest companies, led by Elektrisk Bureau, Norsk Data and Kongsbergs, account for roughly 80 per cent of sales.

It is one of the fastest-growing sectors in Norwegian industry, but is relatively small, generating only 3.8 per cent of industrial employment and roughly 3 per cent of production value. And as Mr Christensen says: "We are growing at a lower rate than the market and we are losing ground both in Norway and abroad."

The electronics industry grew over the past two years by 8 per cent and 6 per cent respectively but the market expanded by 20 per cent annually according to the federation. It is also still heavily dominated by telecommunications producers led by Elektrisk Bureau, which have seen their primarily domestic market decline sharply.

Their share of gross production value has fallen from 84 per cent to 69 per cent since 1977, although it is hoped that expansion plans by the Norwegian PTT may generate new growth.

The consumer electronics industry collapsed in the late 1970s. Meanwhile the data and professional sector has been expanding vigorously, and its share of total production has jumped from 6 per cent to 24 per cent, led by Norsk Data and Tandberg Data.

The sector has specialised in high-performance minicomputers and software for technical, scientific and military applications, as well as data peripherals including display terminals and computers.

Norway has also developed specialised electronics products tied to traditional industries, particularly in the maritime field. Products range from sophisticated underwater acoustics for fish-finding to automated engine-room and navigation equipment.

Kongsbergs has benefited from participation in several large defence contracts stemming from Norway's Nato membership. It has developed a cheaper anti-ship missile, and proximity fuses for mortar and artillery ammunition.

"A small country cannot be champion in all areas," Mr Christensen says. "You have to pick out niches and be good enough to succeed."

According to the federation, the shortage of experts has been a big obstacle to growth, particularly for smaller companies.

"Qualified people of all kinds are in shortage," Mr Christensen says. "We need to at least quadruple the throughput in educational system to supply all the engineers industry needs."

The federation calls for a substantial step-up in government funding for education, particularly through the well-developed research institute system.

The high corporate demand for qualified electronics, data systems and software engineers has deprived both the educational system and the public sector, where agencies "lack the expertise to specify the systems they need and are buying IBM blind."

The federation is also calling for an expansion in government contracts for Norwegian electronics companies along the lines of the US Strategic Defence Initiative or the UK's Alvey programme. This would involve an increase in research and development contracts from the Government to help companies develop base technologies and channel resources into intensified marketing.

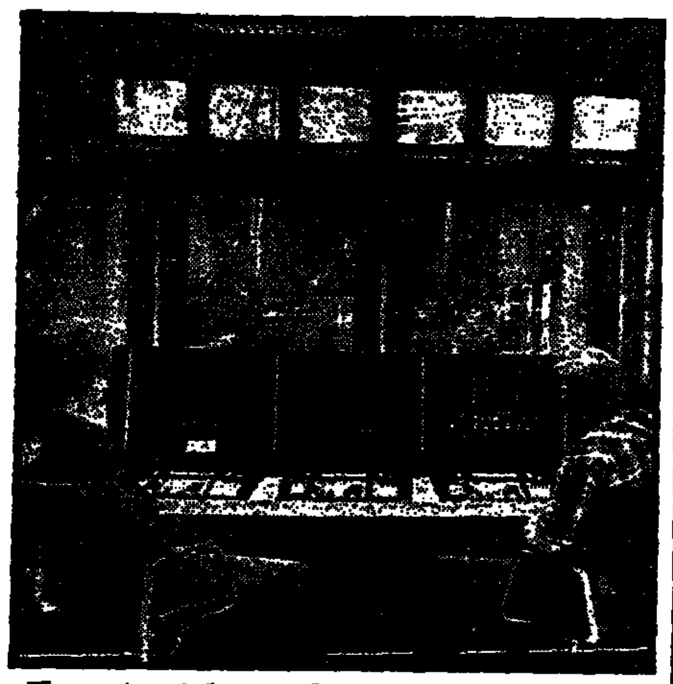
The level of R & D spending stands at about 10 per cent of turnover. But even this is an unacceptably high burden for a number of small companies burdened with relatively low profitability and high purchasing costs for foreign components, according to the federation.

"We are not asking for government aid for product development," Mr Christensen says. "But in most other industrialised countries there is more government funding for building up basic technology and bringing it into the commercial phase."

The federation also points out that a major change in business attitudes will be necessary to improve the export ratio. "There are many companies which have been fairly happy living within Norwegian borders, but the industry must internationalise to survive," Mr Christensen says.

He points to several examples including Norsk Data's joint venture with Matra in France and its purchase of Dietz in West Germany, as well as Tandberg Data's co-operation pact with Siemens.

"Joint ventures and buyouts are the only way to market products with high development costs and a short lifetime," Mr Christensen says. "But this is a new thought for a big part of Norwegian industry."



The automated control room of Norske Skog newsprint mill

PROFILE: NORSK DATA

By DAVID BROWN

Computer profits jump

NORSK DATA is the star of the Norwegian high-technology industry, boasting a 45 per cent annual average growth rate in revenue and 79 per cent in pre-tax profit over five years.

While earnings in the world-wide computer industry have been depressed, Norsk Data's pre-tax profits in the first half jumped 120 per cent to NKr 111m on 57 per cent higher revenues of NKr 789m. With about half its sales outside Norway, the group is steadily improving its market shares in the UK, Germany and France through intensified marketing, joint ventures and acquisitions.

Norsk Data took an early strategic decision to avoid the now-crowded personal computer market, concentrating on professional minicomputers for the office and military sectors.

Although its first success came in the scientific market, it has focused more sharply on complete high-performance systems with integrated software, networking configurations and peripherals, allowing it to maintain prices and margins at a high level. Its hardware product line consists of three 16-bit machines in the ND-100 series and four 32-bit ND-500 machines with superior price/performance characteristics.

The group has held down costs by designing its own chips but having them manufactured outside the company, and buying in other components and peripherals. However, this dependence on outside suppliers proved costly last year when there was a world-wide shortage of some components.

The research and development budget was roughly 9 per cent of 1984 sales of NKr 1.37bn. Three-quarters of this is devoted to software work.

Norsk Data has also placed a strong emphasis on developing its marketing resources — about 20 per cent of its employees are involved in sales and marketing and a further 40 per cent in customer support. It has expanded through several important acquisitions including Silvidata of Sweden and Dietze of West Germany, where operating profits are well ahead. The Dietze acquisition gave access to a broad customer base for its own production on the important West German market.

Last year it signed a joint venture with Matra which it hopes will broaden sales of its superminicomputers and workstations on the highly nationalistic French market.

The US market has been more difficult to crack and has not been given high priority, although it has two important subcontracts to Singer Link for the F-16 flight simulater and Hughes for a Nato early-warning system.

The group has also expanded quickly in the UK, although from a low base, and sales have increased an average 80 per cent annually to NKr 62m last year and NKr 40m in the first half of 1985.

The company has signed a joint venture with Racal, the defence and communications company, to develop and market artificial intelligence systems based on its ND-500 machines.

Less exposure to world swings

Forest products

KEVIN DONE

NORWAY'S pulp and paper industry, though modest compared with its rivals in neighbouring Sweden and Finland, has built up a considerable presence in certain key products such as newsprint and magazine paper.

Pulp and paper still account for about 8 per cent of the country's traditional exports (excluding oil and gas) and some three-quarters of the output from Norwegian paper mills is sold in foreign markets.

Although still lagging a little behind its Scandinavian competitors, the Norwegian forest products industry has taken big steps to rationalise and streamline its operations. According to the Norwegian Pulp and Paper Association, no other Norwegian manufacturing sector of corresponding importance has undergone such sweeping structural changes.

In 1950 Norway had 122 wood-processing factories; the number now is 34.

The survivors in the industry have invested heavily in large, modern mills, however, and despite the long list of closures total capacity of the pulp and paper industry has increased considerably. The average size of the paper mills has more than doubled to 80,000-90,000 tonnes, and in the period 1960 to 1984 Norwegian paper production grew from 789,000 tonnes to 1.56m tonnes.

Despite this rationalisation process, mills in Norway are still on average somewhat smaller than their competitors in Sweden, where corresponding units produce about 150,000 tonnes a year.

The investment in large paper mills has helped to reduce Norway's exposure to the turbulent swings in the world pulp market. The share of pulp output processed in Norway has risen steadily since the early 1950s from less than 50 per cent to more than 70 per cent.

At the same time the industry has concentrated on grades of paper which give the greatest yield from the country's limited pulpwood supplies. This means that the share of fine paper has fallen from close to 15 per cent of total output 25 years ago to less than 5 per cent today. Production last year totalled 58,000 tonnes compared with 150,000 tonnes in 1974.

The share taken by wood-containing papers — newsprint and magazine papers — has jumped from 40 per cent to close to 70 per cent.

Ownership of the kraft paper mills has been concentrated and output has been held at a stable level, but production of board, wood-free writing and printing paper and other fine paper grades has fallen as the industry's product range has narrowed under the pressures for rationalisation.

The small Norwegian mills often have been unable to compete with the large integrated mills in other countries, which have bigger sources of raw material supply and more extensive domestic markets.

This year the links between the three main newsprint producers in Norway have been strengthened and a new grouping is emerging around Norske Skog, the industry leader, which is large enough to challenge even Norway's biggest rivals in Sweden and Finland.

Norske Skog has capacity to produce 420,000 tonnes a year of newsprint, while Follum Fabrikker has a capacity of 310,000 tonnes a year and Union a capacity of 220,000 tonnes a year.

Norske Skog and Follum have had close links since the early 1970s following the establishment of a joint sales company in 1973, but at the beginning of 1985 the ties were cemented further. Norske Skog increased its shareholding in Follum from 31 to 45 per cent and has since increased it again to 49 per cent. With a stake of 11 per cent Follum in its turn is the biggest single shareholder in Norske Skog.

Co-operation

In July these two companies took over a dominant holding in Union, the country's third largest newsprint producer. They acquired a 7.5 per cent stake from Bergen Bank, and at the same time bought up a 50.4 per cent interest in Forenede Papir og Cellulosefabrikker, a holding company which controls 46.3 per cent of Union.

Norske Skog claims that the chief benefits of the closer co-operation between the three newsprint producers will be in marketing. With an annual output of around 900,000 tonnes Norske Skog/Follum/Union now account for close to 20 per cent of Scandinavian newsprint production.

The new grouping is close on the heels of Sweden's Holmen, Europe's biggest newsprint maker, which has a capacity of 960,000 tonnes of newsprint and 125,000 tonnes of magazine paper.

As part of the deal with Bergen Bank Norske Skog, Follum and Union each agreed as well to take over 10 per cent stakes in Tofte Industrier, the ill-fated pulp venture which went into bankruptcy in the early 1980s. The financial collapse of Tofte cost Norske Skog, which originally had a stake of 50 per cent, some NKr 320m.

The pulp mill, one of Norway's most ambitious onshore industrial projects, has since had new capital injected, and through the latest deal with Bergen Bank the Norske Skog group is again emerging as the main shareholder. It owns directly 22 per cent, while Follum and Union each have further stakes of 10 per cent. Last year, Tofte produced some 244,000 tonnes of sulphate pulp and made a profit of NKr 74m (before allocations) on a turnover of NKr 983m.

Succeeded

In addition to the concentration of ownership in the newsprint sector, Norwegian pulp and paper makers, have also succeeded in rationalising their pulpwood buying operations.

Follum, Union, Norske Skog and Tofte, which essentially represent the timber consuming wood-processing industry on the western side of the Oslofjord have formed a new buying company, Vestvirke. A second group, Ostfeld Timmer, comprising the interests of Borregaard, Peterson and Saugbruksforening (part of the Kosmos group) has emerged to coordinate pulp-wood buying from the eastern forest owners.

Mr Arild Holland, managing director of the Norwegian Pulp and Paper Association, says the new buying companies promise considerable cost reductions in both transport and stock-piling and also improvements in the co-ordination of imported timber purchases.

In 1984, the Norwegian pulp and paper industry enjoyed a record year. At 1.56m tonnes production of paper and board was 14 per cent higher than in 1983 and was 134,000 tonnes above the previous peak in 1974.

Exports of mechanical and chemical pulp, paper and board totalled NKr 5.6bn, of which paper and board accounted for some NKr 3.9bn. Export earnings were 20 per cent above 1983 and also set a new record.

Norway's main markets are found in Western Europe with the UK and West Germany heading the list. Sales to the UK totalled 254,000 tonnes last year, an increase of 38,000 tonnes, while West German purchases rose by 25,000 tonnes to 193,000 tonnes.

The big break-through in 1984 came in sales of both newsprint and magazine paper to the US, however, with a leap in newsprint sales of 116 per cent to 71,000 tonnes.

More optimism after a decade of gloom

Fishing industry

KEVIN DONE

AFTER MANY years in the doldrums the Norwegian fishing industry is more optimistic about its future than for a decade. Instead of a picture of declining catches and dwindling quotas, it appears that some of the most important Norwegian fish stocks are finally recovering from the damage inflicted by over exploitation during the 1970s.

The earlier depletion of the fish stocks has meant that the industry has been burdened for several years by a fishing fleet and processing capacity that have by far exceeded the resources of fish available.

The sector has been kept afloat only by large subsidies from the state — Government aid will amount to around NKr 1.4bn ($179m) this year — but this is a price the state has been willing to pay in order to try to keep people from moving away from the sparsely populated coastal areas, especially in the northern and western parts of Norway.

While the traditional fishing industry has been going through hard times, however, a new activity has emerged in the shape of fish farming which has fast developed into one of Norway's most exciting growth industries of the 1980s.

The production of farmed salmon has been increasing by 40 per cent a year and in 15 years the value of exports has grown from nothing to more than NKr 1bn a year. After expanding fast in Norway the fish farmers are also moving abroad and have already developed a presence in the growing aquaculture industries in Scotland, Ireland, Iceland and Canada.

This year two fish farming companies have been floated for the first time on the Oslo stock market and a new venture capital fund, Havsbrüksfondet, had no problems earlier this year in raising NKr 100m in equity capital for investing in minority holdings in fish farming companies.

While the overall importance of the fisheries industry in the Norwegian economy inevitably has been declining — especially since the development of the oil and gas sector — the export of fish and fish products still accounts for about 13 per cent of all Norwegian exports of goods excluding ships, crude oil and natural gas.

Fishing operations as such account for some 2 per cent of employment, but in the coastal districts and in particular in the counties of northern Norway such as Nordland, Troms and Finnmark, the share is around 15 per cent. In addition a large part of the population in such districts is employed in industries closely related to fishing such as fish-processing, fish-meal, boat building, repair and the marketing and transport of fish products.

In many isolated communities dotted along Norway's 20,000-kilometre coastline, fishing activity provides the entire basis for the life of the whole settlement. The well-being of the fishing industry is thus a vital element in Norway's attempt to maintain population levels in isolated regions and resist the drift to the towns.

Ranking

Norway ranks as the sixth or seventh largest producer of fish in the world after Japan, the Soviet Union, China, the US, Chile and Peru and accounts for 3.5 to 4 per cent of the world catch. The first-hand value of the Norwegian catch is more than NKr 4bn a year.

Cod, saithe, haddock and other species used only for human consumption make up about 70 per cent of the value of the catch and about 30 per cent of the volume.

Species used for fishmeal and oil, particularly capelin, account for around 70 per cent of the volume of the catch but only a third of the value. Most of the fish for human consumption is processed further as frozen and salted fish and stockfish with only a small precentage sold as fresh fish.

The value of sales of fresh fish has risen sharply with the development of fish farming, however, and Norway has begun to open up markets for fresh salmon as far away as Japan and the US West Coast.

The major part of the fish catch brought ashore in Norway — some 87 per cent — is taken within the country's own 200-mile economic zone, although there are still some important fisheries in EEC waters, off Greenland, the Faroe Islands and to some extent in the Soviet zone of the Barents Sea.

Technical advances in the past 15-20 years have greatly improved the efficiency of the industry, and partly as a result fishing has become a far more specialist occupation. The number of fishermen has fallen considerably, from about 86,000 in 1948 to 61,000 in 1960 and little more than 30,000 at present.

The number of part-time fishermen has fallen far more dramatically than the number having fishing as their sole occupation, however. The need for extensive investments and the modernisation of the smaller coastal fishing vessels have required a far more intensive use of boats and equipment. As a result the number of man-years worked in the fishing industry has declined far less than the number of fishermen.

Norway owes its fisheries to the favourable currents and temperatures which make the relatively shallow continental shelf the site of rich fishing banks with considerable local stocks of a large variety of fish.

At the same time the Norwegian fjords and coastal banks have traditionally provided the spawning grounds and nurseries for the great stocks of cod, herring and other species which migrate through the entire north-eastern areas of the Atlantic.

The damaging depletion of the fish stocks in the Barents Sea has meant the Government has had to undertake expensive measures to try to bring the catch and production capacity more in line with the resource basis. Subsidy schemes to encourage the scrapping of vessels have been introduced for the purse seine fleet, the trawler fleet, the seal and whaling fleet as well as the coastal fleet.

At the same time there is an attempt to reduce parts of the onshore processing industry, which is also characterised by a large number of small and medium-sized plants scattered along the entire coast. There are about 700 processing plants and receiving stations with close to 16,000 employees.

Most of the food fish traditionally was used for the production of stockfish, klipfish and salted fish, which still account for most of the smaller plants. The largest number of employees are now found in the filleting and freezing industry, however, which has expanded fast in the last 15 years.

About 90 per cent of the Norwegian fish catch is finally exported in one form or another, and exports totalled about NKr 7.6bn in 1984. Including domestic sales (10 per cent of the quantity of the catch and 25 per cent of the value), the fishing sector has total revenues of around NKr 9bn a year. The US, the UK and Sweden are the major importers.

The profitability of the fishing industry has been unsatisfactory for several years, partly because of its structure—a large number of small units along the entire coast—and partly because of the declining catches of the more valuable species such as the Arctic cod. At least on the latter point prospects are improving, however.

The Norwegian Arctic cod stock has now enjoyed several good spawning years and the fishing industry expects quotas to rise by as much as 30-70 per cent in the years from 1987. The stock of Norwegian spring spawning herring is also growing rapidly and according to the scientists the Norwegian catch of herring in two to three years time could be back to the level of the 1950s and 1960s.

Agreement

Herring stocks are also growing in the North Sea, but Norway still has not been able to reach agreement with the EEC on how these stocks should be divided.

"The general picture is much brighter," says Mr Lars Brekk, personal secretary to the newly-appointed Fisheries Minister Mr Evind Relten. "Many companies and fishermen want to invest because they expect bigger quotas. The last ten years have been the worst and the next ten years could be much better."

While the traditional fishing industry still has to wait for a decisive improvement in its fortunes, however, fish farming is already enjoying boom conditions. A recent analysis from the planning group of the Norwegian Council for Scientific and Industrial Research, claimed that the number of jobs in Norwegian aquaculture could be tripled from 4,000 in 1984 to 12,000 in 1990.

The Atlantic salmon, one of the world's most coveted delicacies, is now being mass-produced in Norwegian fjords and air-freighted by the tonne to the leading capitals of the world. New air transport techniques have helped make fresh salmon available all through the year.

In 1984 production of farmed salmon climbed to 22,300 tonnes compared with only 600 tonnes ten years earlier. Output is expected to total 30,000 tonnes this year and to have virtually doubled again by 1987 to 55,000 tonnes.

Despite the emergence of foreign competitors, Norway still accounts for as much as 85 per cent of world output of farmed salmon.

Fish farming has now been made a priority area in national research and development alongside information technology, offshore technology and materials research and some NKr 70m was earmarked for marine research in the Government's 1985 budget.

Norwegian fish farms are perilously dependent on salmon and much of the R&D effort is going towards developing new species suitable for aquaculture such as cod, turbot, halibut and sole. At the moment halibut is the main hope as a big future revenue-earner.

Some of the most important fish stocks are recovering from 1970s over-exploitation

World protests intensify

Whaling controversy

KEVIN DONE

THE ISLAND of Skrova, 250 kilometres north of the Arctic circle on Norway's rugged north-west coast, has a population of fewer than 400. For 2½ months each year from late May to early August half the population — young and old alike — are caught up in the febrile activity of processing a large part of the season's whale catch.

However, the island's five processing plants could stand idle next summer if Norway finally yields to the pressure of international opinion and calls a stop to commercial whaling.

Norway was once the world's leading whaling nation. It was a Norwegian, Sven Foyn, who invented the cannon-fired harpoon in the last century, and it was Norway that first introduced factory ships for whaling in the 1920s.

The country has been at the heart of the history of whaling from early times up to the present, but today Norway stands increasingly isolated as it seeks to resist the world wide moratorium on commercial whaling agreed by the International Whaling Commission for 1986.

Only three countries—Norway, the Soviet Union and Japan—have continued to object to the IWC ban, although some others such as Iceland are seeking to exploit loopholes in the commission's rules and have said they intend to continue whaling "for scientific purposes."

Japan, which has come under heavy pressure from the US to stop commercial whaling, has indicated that it will call a halt in two years' time—it otherwise faces the threat of US sanctions—and the Soviet Union has also said it will stop in 1987-88 for "techinical reasons."

Norway has continued to object to the general moratorium—agreed by a three-quarters majority of the IWC countries in 1982—on the grounds that the ban was a political decision not based on any recommendations of the IWC scientific committee.

The pressure from the IWC has been building up, however, At its annual meeting in Bournemouth, England in July the commission decided to act on new reports presented to its scientific committee and declared that the North-East Atlantic stock of the minke whale, the main quary of the Norwegian whale hunters, should be made a protected species.

According to Dr Sidney Holt, a UK scientist and member of the IWC's scientific committee since 1959, work carried out since 1983 has shown that the minke whale stock has been declining steadily for many years.

He maintains that the minke whales in the north-east Atlantic now number only 20-30 per cent of the original stock that existed just before World War II when intensive hunting for this whale began in northern waters.

These findings have put Norway in a difficult position. A major part of its defence of continued whaling has been that it would always act to curtail activities if "the best available scientific knowledge" showed that a particular stock was in danger.

Playing for time

For the moment it has decided to play for time. Just before the 90-day deadline under the IWC rules expired at the end of October, Norway filed a formal objection to the commission's decision to declare the minke whale a protected spies in the north-east Atlantic.

Preliminary findings by Norwegian scientists suggested that the TWC decision had a weak scientific basis. The Government had requested a report from its own scientists at the Marine Research Institute in Bergen and claimed the TWC decision should have been postponed until the summer of 1986.

The Norwegian scientists' own report should be available next spring, which would still give Norway time to act to stop the Norwegian whalers setting sail for the Barents Sea and the Arctic Ocean at the end of May.

"Our objection does not necessarily mean that there will be whaling in 1986," says one senior Norwegian diplomat guardedly. "That decision will depend on the comprehensive report of the Marine Research Institute. We need more valid scientific advice."

Norway has gone along with the much lower quotas issued by the commission since the early 1980s when concern for the North-East Atlantic whale stocks began to grow. The 1980 quota of 1,790 animals was cut to only 635 for this year.

The Norwegian whalers also have some small concessions to hunt in Icelandic and Greenland waters although the bulk of their catch is now made in the Barents Sea including the Soviet zone.

Norway's total quota in 1985—including the Iceland and Greenland stocks—was 772 whales compared with 1,985 in 1982.

Whaling is a highly charged issue both in Norway and abroad. The country admits the often dubious role it played in earlier decades in hunting several of the large whale species to the edge of commercial extinction in both Arctic and Antarctic waters.

The last Norwegian expedition with factory ships left the Antarctic in the 1967-68 season. Since then Norwegian whaling has been confined to the hunt for the minke whale in its own and adjacent waters.

Whaling is a strictly seasonal activity providing work for fishermen and onshore processing plants at a time when there is a lull in other fishing activities. "There are no other raw materials to work with in this period," says Mr Ulf Ellingsen, managing director of one of the five processing plants on Skrova in the Lofoten Islands.

Some 50-100 fishing boats from all along the Norwegian coast have taken part in whaling in recent years, but it is the prosperous community of Skrova that has most to lose with whaling accounting for as much as 50 per cent of the community's income. Sixty to 70 per cent of the Norwegian whale catch is now landed on Skrova.

Hitherto the Norwegian Government has treated the whale like any other marine resource, insisting that "those whale stocks which can sustain harvesting constitute a resource which can legitimately be harvested, under scientifically sound criteria and strict regulation and control."

At the same time, regional policy is a powerful element in Norwegian politics. Both the Government and Opposition parties are all firmly committed to maintaining activities in the vulnerable scattered communities along the country's vast coastline. Very often there are few alternative industries to the fisheries, and for some isolated communities whaling has continued to provide an important supplement to their annual incomes.

New threats

There is little support inside Norway for the more emotional anti-whaling arguments and the fishing industry, one of the country's most powerful interest groups, insists that the Government should not allow foreign environmental groups to dictate domestic policy issues.

The threat of boycott actions against Norwegian fish exports, particularly to the US and the damage that whaling is doing to Norway's foreign image and its stance on other international environmental issues, are forcing the Government to think long and hard about next season's whaling, however.

On the island of Skrova Mr Ulf Ellingsen admits that "you can criticise the history of Norwegian whaling, but I do not think that it is right that communities in northern Norway should pay the price of what Norway did decades ago. We have interests in this business, we too want to preserve the whales."

Dr Sidney Holt argues, however — and a majority of the International Whaling Commission has accepted the point — that Norway's coastal or "small-type" whaling has been just as damaging to the whale stocks in the North Atlantic as the factory ships and their fleets of catcher vessels were earlier in the Antarctic.

He told a conferene in Oslo earlier this year: "Norwegians have made a great deal of profit over half a century not by 'harvesting' whales but by mining them, by treating them not as renewable resource but as if they were minerals. Enough should be enough."

SECTION II – COMPANIES AND MARKETS
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Volvo bids to take over Cardo investments group

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

VOLVO, the Swedish automotive, energy and food concern, is bidding to take over Cardo, the Swedish investment company with industrial interests in sugar, feeds and plant breeding, in a deal that values Cardo at more than SKr 4bn ($512m).

Volvo plans to merge the Cardo industrial operations with its existing Provendor food division.

Cardo's share portfolio, valued at SKr 1.7bn at the end of August, will be floated off in a separate publicly quoted investment company, New Cardo, in which Volvo plans to maintain a 19 per cent stake.

Food and allied activities will become the third largest Volvo division after cars and trucks.

Volvo already holds some 22 per cent of the Cardo equity, an interest acquired in 1984. Mr Pehr Gyllenhammar, Volvo chairman, said the group's net investment to acquire the industrial operations would amount to about SKr 1.5bn.

Volvo is offering SKr 175 in cash plus one share in the New Cardo investment company for each existing Cardo share, an offer worth an estimated SKr 280 a share, a premium of some 25 per cent over the market price.

In addition, Volvo is bidding to take over the 18 per cent of the equity of Hilleshög, Cardo's feeds and plant breeding subsidiary, not owned by the parent company.

ICI, the UK chemicals group, negotiated for several months last year to take over Hilleshög, a leading sugar beet and forestry plant breeding company, but failed to agree terms.

Volvo is already one of Sweden's biggest food groups with some of the country's leading brand names in products ranging from tomato ketchup to processed herring and hamburgers. Food last year accounted for 8 per cent of group turnover, with sales of SKr 4.9bn.

Volvo said yesterday it intended to grow within the food industry, which was "a stable business with good earnings capacity and modest investment requirements." Food offered a counterbalance to the trading fluctuations of the automobile industry.

In 1985, Volvo's existing Provendor food operations together with the Cardo industrial operations will have a joint turnover of more than SKr 8bn and earnings of over SKr 500m.

Through Hilleshög, Volvo will also increase interests in biotechnology.

Volvo yesterday announced a 4.4 per cent increase in profits (after financial items) in the first nine months to SKr 5.855bn. Group turnover was virtually unchanged at SKr 62.339bn.

Sales of industrial products rose by 11 per cent, while oil trading turnover dropped by 26 per cent.

In the third quarter, profits were 61.8 per cent higher than a year earlier at SKr 1.597bn, thanks to big foreign exchange gains.

Third-quarter operating profits were 16.9 per cent higher than a year earlier. The value of car sales was 28 per cent higher in the third quarter and 18 per cent higher in the first nine months at SKr 25.5bn.

Volvo plans to increase the availability of its shares for ownership by foreign investors by offering to exchange a maximum of 10m restricted B shares for unrestricted B shares.

The move will raise the proportion of the Volve equity that can be bought by foreigners to 36 per cent from the current 23.4 per cent.

Threat to Siemens bid for Pierburg

By John Davies in Frankfurt

ROBERT BOSCH, the West German motor vehicle components group, has stepped in to try to thwart a bid by Siemens, the electrical concern, to take over Pierburg, which makes carburettors for cars.

Bosch, which has 20 per cent of Pierburg, said yesterday that it had decided to exercise a long-standing option over the remaining 80 per cent, at present owned by Pierburg family members. It stressed, however, that it would not buy this stake itself but arrange for its transfer to other partners.

Siemens had previously reached basic agreement with Pierburg family members to take over their stake in the company, which has annual sales revenue of about DM 500m ($190m).

The federal cartel office in West Berlin indicated recently that it was unlikely to approve the Siemens move unless Bosch also sold out. But far from bowing out, Bosch has set about finding other companies, so far unnamed, to step into Siemens' shoes.

The tussle for Pierburg is still not over, however, and Siemens says it has not given up hope. The cartel office will hold talks with Bosch in the next few days and its approval of the deal is likely to depend on who the prospective partners are.

Pierburg, based at Neuss, near Düsseldorf, is having to invest heavily in technology.

Some motor industry executives welcomed the possibility of Siemens taking over the company on the ground that it might further sharpen competition in the supply of crucial components.

Flood of issues follows upturn

A DELUGE of new issues was launched into the Eurobond market yesterday. The market's strength earlier in the week encouraged borrowers to come forward, but the lag in turning mandates into deals meant that, in the Eurodollar market at least, issues were launched into a market which was no longer very receptive, writes **Maggie Urry in London.**

The bond market in Europe opened higher after the late rise in New York the previous night. But thereafter prices drifted lower again with some issues down on the day. Traders noted profit-taking by retail investors, and buying was selective. However, many said that the undertone was still positive.

Procter and Gamble, the US detergents and home products group, an AAA rated borrower, led the rush of deals with a $150m seven-year issue with warrants, led by Morgan Stanley. A new twist was the auction of the warrants to co-managers rather than a price fixed in advance. That ensured a quick syndication for the 9⅞ per cent bonds, callable after four years, and priced at 101⅛, though some issuing houses turned it down.

The warrants, which buy into a non-callable bond with the same terms, using the bonds in the first four years, were allotted at prices between $16 and $25 with an average of $18.89. They traded around $21, while the bonds were bid just outside the 1⅞ per cent fees.

Nippon Telegraph and Telephone launched a $100m 10-year issue led by Salomon Brothers. This was priced with a 9½ per cent coupon at 100⅛, terms which gave the borrower a cost about equal to US Treasury yields, taking in the 2 per cent fees. The terms were regarded as far too tight for this market, now that Japanese demand for these sushi bonds has fallen, and the bonds were trading around 98½, outside the fees.

Eksportfinans, the Norwegian body for financing exports, was third of the fixed rate borrowers with a $100m 10-year issue led by Merrill Lynch. The coupon was set at 10 per cent and issue price at 100⅛, offering a fair spread over Treasury yields of 41 basis points, less the 2 per cent fees. But with the market in a difficult mood, the bonds were trading just within those fees.

In the floating rate market a $100m 15-year issue was launched for Spain, by Merrill Lynch. The bonds will pay interest at 5 basis points above six month London inter-bank offered rate and issue price is 100.05. Fees total 15 basis points and the bonds were trading within that discount at 99.92 bid.

Two Japanese borrowers launched issues with equity warrants which proved popular. Nomura International is indicating a 5½ per cent coupon for a $75m five-year issue for Toray Industries, the synthetic fibres and leather company. Nikko Securities (Europe) indicated a 5¾ per cent coupon for a $25m, five-year deal for Gunze, the textile group.

The non-dollar sectors of the market were active, too. Ford Credit Canada launched an Ecu 45m issue maturing on October 30 1993, with an 8⅞ per cent coupon and 100⅛ issue price. Banque Paribas ran the books on the issue, which is thought to be a swap into Canadian dollars. The market is in good shape at present and the bonds were trading within the 1⅞ per cent selling concession.

The French franc Eurobond market is also strong, with new issues carefully controlled. A FFr 250m seven-year issue for Unilever France was given the lowest coupon seen since the market reopened in the spring, at 10⅝ per cent, with the issue price set at par by lead manager Banque Nationale de Paris. Even so the bonds were trading above par.

Three issues appeared in the D-Mark sector, two of them equity-linked. Westdeutsche Landesbank launched the expected DM 150m convertible issue for Minolta Camera, with an April 1 1994 maturity. The indicated coupon is 2⅛ per cent. The bonds traded around 103¾.

Kaufhof Finance, part of the stores group, also launched a DM 150m issue, with equity warrants. Commerzbank set the coupon at 3½ per cent and issue price at par for the 10-year bonds and the conversion premium will be 8⅞ per cent. The bonds-with-warrants were trading well above par, around 112.

Late in the day Deutsche Bank launched a DM 175m straight for Pillsbury, the US food group, with a seven-year life, a 6⅞ per cent coupon and 99⅝ issue price. The new issue market in D-Marks is still delicate, though this was quoted within its 1⅛ per cent selling concession.

The D-Mark secondary market was firmer helped by the weaker dollar, and the strength of the New York market. Good foreign demand contributed to ½ point price gains.

There was a rush of deals in the Swiss franc foreign bond market, too. Scandinavian Airline Systems launched a perpetual issue through Citicorp Bank (Switzerland) for SFr 200m with an initial coupon of 5⅝ per cent. This will be reset every 10 years at the mean of the SBC and Pictet indices. It is only the second perpetual in the foreign sector, the first being for KLM.

Another airline, People Express of the US, launched a convertible issue, which traders said looked speculative. The coupon was indicated, by Banque Paribas (Suisse), at 5⅝ per cent, high for a convertible. Maturity is in January 1996 and the size will be between SFr 125m and SFr 150m.

A SFr 150m 13-year issue was launched for Österreichische Kontrollbank by SBC. The terms were fixed at a 5⅝ per cent coupon and par issue price.

Secondary market prices firmed slightly yesterday.

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Financial gain lifts Asea 9-month profit

By David Brown in Stockholm

ASEA, the Swedish electrical engineering and electronics group, yesterday reported roughly unchanged profits after depreciation for the first nine months ending September of SKr 1.49bn ($189m) against SKr 1.45bn for the same period a year earlier.

However, a sharp SKr 126m improvement in net financial income to SKr 280m, coupled with an SKr 103m reduction in extraordinary costs to SKr 30m yielded a pre-tax result of SKr 1.76bn up to 15.6 per cent from 1984.

Turnover climbed by 10.4 per cent to SKr 27.25bn, 66 per cent of which was generated outside Sweden, but operating costs rose at a higher rate.

The group reports a 22 per cent rise in order bookings, especially in Western Europe, and a continued improvement in its Asea Kabel and Fläkt subsidiaries, but said that margins on most of its big power projects abroad continued to slip.

The management expects earnings for 1985 to be roughly the same as the SKr 2.43bn achieved last year.

Simmons doubles Sea-Land holding

BY ANDREW FISHER, SHIPPING CORRESPONDENT, IN LONDON

MR HAROLD SIMMONS, the Texas businessman who is bidding for Sea-Land, has more than doubled his stake in the US container shipping company to 22.1 per cent.

Contran, Mr Simmons' holding company in Dallas, bid $25 cash per share for Sea-Land this week, valuing the group at $580m. Sea-Land, which reacted coolly when Mr Simmons took his initial 9.1 per cent stake in July, will discuss its response at a board meeting on Monday.

The stake in Sea-Land, based in New Jersey, is held by Amalgamated Sugar, a Utah-based sugar beet processing company which is wholly owned by Mr Simmons.

He now holds nearly 4.2m of Sea-Land's 23.2m shares, including nearly 1.9m bought this week at prices ranging between $22.25 and $24.50.

If his bid proposal is rejected by Sea-Land, Mr Simmons said in a filing with the Securities and Exchange Commission that he and companies he controls may seek to acquire control of Sea-Land through stock ownership.

Mr Simmons, aged 54, was included in the latest Forbes magazine of the 400 richest people in the US. His net worth was estimated to be at least $200m.

His other main business holdings are an 18 per cent stake in GAF, the New Jersey chemical and roofing materials company, full ownership of Medford, an Oregon timber company, and 48 per cent of LLC, a Georgia-based special steels and fast food concern.

He has no other shipping interests, apart from the Sea-Land stake. Mr J. Landis Martin, his legal counsel in Denver, Colorado, said yesterday the holding in Sea-Land would be increased as long as shares could be bought at under $25.

DG Bank buys Co op stake

By Jonathan Carr in Frankfurt

DG BANK, the West German co-operative banking institution, is taking a 39 per cent stake in the Co op AG, one of the country's biggest trading groups, in a deal which could be worth more than DM 200m ($76m).

The stake is being acquired from BGAG, holding company of the trades union organisation. The organisation's supervisory board yesterday approved the plan.

DG Bank stressed it did not see the holding as a long-term investment, but planned to place the shares on the stock market "as early as possible" next year.

Co op AG runs food and household goods stores with group sales last year of more than DM 10bn. Around 10 per cent of its DM 375m capital is already in the hands of some 200,000 small shareholders.

There was no official word on how much DG Bank is paying for its stake, which will give it DM 145m of the nominal capital. But with Co op DM 50 nominal shares trading at close to DM 70 on the company's "internal bourse," the buying price is thought likely to be more than DM 200m.

Nestlé aims for wealthy retail investors

NESTLÉ Capital Corporation, the US arm of the Swiss food concern, is to begin selling commercial paper in the Euromarkets through a facility designed to appeal particularly to wealthy retail investors, writes **Peter Montagnon, Euromarkets Correspondent in London.**

It has appointed Swiss Bank Corporation International as sole dealer in the paper, which can be sold in unlimited amounts with no formal minimum denomination.

Bankers say the Nestlé issue underlines the appetite among clients of major Swiss banks for short-term corporate paper, and is expected to set a benchmark for rates struck by top quality corporations in the Eurocommercial paper market.

Its programme follows a pattern already set by one sovereign borrower, Export Development Corporation (EDC) of Canada, which now has between $200m and $250m of paper outstanding in the Euromarkets.

But Nestlé's announcement yesterday was regarded as significant because the company already has a $1bn note issuance facility in place on which it has not drawn.

Its decision to go for a separate Eurocommercial paper programme is thought to reflect disenchantment with the tender panel system through which paper would have to be auctioned under the issuance facility.

Nestlé executives would not comment on the deal yesterday, proceeds of which were expected to be used for general corporate purposes.

Bankers believe that its Eurocommercial paper could sell at a level as low as 40 to 50 basis points below the London interbank bid rate for Eurodollar deposits. This is the level at which EDC paper sells.

At these rates, banks and most institutions could not afford to buy it, leaving the main accent on placement with individuals.

Leasing group chief resigns

By Our Frankfurt Staff

DEUTSCHE Anlagen-Leasing (DAL), the troubled West German leasing concern, has suffered a further blow with the abrupt departure of Mr Andreas Stephan after less than six months as its chief executive.

The company said yesterday Mr Stephan had different views from the supervisory board about DAL's basic business strategy.

Mr Stephan moved to DAL in June after heading a leasing operation associated with the co-operative banking movement.

He took over from Prof Hans Wielens, who was sent in to sort out DAL's problems in 1983 after it ran into heavy losses.

DAL is owned by Westdeutsche Landesbank (30 per cent); Landesbank Rheinland-Pfalz (26.6 per cent); Bayerische and Hessische Landesbanks (each 16.7 per cent) and Dresdner Bank (10 per cent).

It emerged last month that DAL unexpectedly would make further risk provisions of about DM 300m ($115m) in its 1984 accounts, after reporting net losses totalling more than DM 1.4bn for the previous two years.

French shipping group to cut loss further

BY OUR SHIPPING CORRESPONDENT

COMPAGNIE Générale Maritime, the French state-owned shipping group, will report a further substantial decline in its losses for this year but expects 1986 to be difficult, Mr Claude Abraham, the chairman, said.

Last year net losses fell from FFr 511m to FFr 299m ($37m). Operating income was FFr 252m against a loss of FFr 101m, but high interest costs kept the group in the red. Annual government subsidies to the group of FFr 300m will be cut, he said.

Next year's performance would be affected by the worsening freight rates in containerised liner (scheduled service) shipping which were resulting from increasing world fleet capacity, Mr Abraham said in London.

But CGM would do its best to ensure that the 1986 result was at least no worse than in 1985. The group is moving out of bulk cargo and gas shipping, its main lossmaking activities, but plans to order two new container ships next year.

Mr Abraham said CGM's debt would fall this year by around FFr 400m

Dutch company boosts profits

By Laura Raun in Amsterdam

BUEHRMANN-TETTERODE, the diversified Dutch paper group, sharply boosted its profits in the first nine months and reiterated its forecast that full-year earnings would amply exceed Fl 50m ($17m).

Net income soared 74 per cent to Fl 26.8m in the January-September period, largely on the graphic-equipment production and trading division's robust sales and healthy order portfolio. The paper, cardboard and packaging division also contributed to earnings growth, while the third division, which includes office automation, toys and book publishing, lagged in profits and sales. The current paring of the stagnant toys and publishing activities is still expected to hit their profitability, the company said.

China orders boost SMS

BY PETER BRUCE IN BONN

SCHLOEMANN-SIEMAG (SMS), West Germany's biggest supplier of steel plant and processing equipment, has reported a 36 per cent leap in net profits, to DM 34.5m ($13m) for the year ended June 30, and a DM 1.2bn increase in new orders for the group as a whole to DM 2.9bn.

Mr Heinrich Weiss, chairman of SMS, said the group had had a "very successful" year. Much of the growth in orders is due to the group winning a DM 1.8bn contract to build a new hot-rolling mill at Baoshan in China. SMS's share of that contract is some DM 500m, but Mr Weiss said the group's plastics processing business was also doing well, and that demand for continuous steel casting technology was particularly high in North America.

Turnover for the whole group rose from DM 1.3bn to DM 1.7bn, with SMS sales rising 20 per cent to DM 635m. SMS is a major subsidiary of GHH, Western Europe's largest engineering concern.

Mr Weiss expressed some concern at being able to meet orders on time, as capacity was being stretched.

Bond sells Britvic stake back to Lyons

BY GORDON CRAMB IN LONDON

MR ALAN BOND, the Perth entrepreneur, has shed his Australian soft drink interests in deals yesterday which gave Amatil, an affiliate of Britain's BAT Industries, prime position in the sector and returned full control of Britvic to Allied-Lyons, also of the UK.

Bond Corporation Holdings, Mr Bond's master company, said it has sold back to Allied the 50 per cent stake in Britvic which it acquired through the A$1.2bn (US$816m) takeover of the brewer Castlemaine Tooheys in August.

Castlemaine had taken the stake only the previous month, and Bond added yesterday that the resale was made at the same price of £19.5m (US$28m). However, exchange rate movements in the intervening period meant that in domestic currency terms the latest deal is worth A$41.25m against the original A$37.5m.

Moreover, the cash deal yesterday is in contrast to the July purchase which was made in Castlemaine shares. The funds thus freed for Bond – together with an estimated A$115m value on the sale of a Coca-Cola bottling unit to Amatil – will allow the heavily borrowed Perth company to retire further debt.

A crucial element in Bond's victory in the hotly contested Castlemaine bid was the eventual sale by Allied of its 25 per cent holding in the brewer.

Mr Eric Colwell, chairman of Britvic, said yesterday that Allied had retained an option to take back the stake at the same price in the event of a change of control at Castlemaine. The envisaged trading partnership for Britvic no longer existed as Mr Bond had "chosen to go down another route."

Mr Colwell, who is also on the Allied main board, said the return to full control of Britvic was "mutually agreed," and he declined to indicate which side had instigated the move.

For Bond, the two deals yesterday continue a programme of piecemeal disposals agreed with its bankers at the time of the Castlemaine acquisition. Allied, meanwhile, faces a takeover attempt by Elders IXL, the Australian group which, through its Fosters brand, is Bond's chief rival in the country's beer market.

Southern Cross Beverages, the Sydney-based Coca-Cola franchisee being sold to Amatil, is also a former unit of Castlemaine. The purchase is expected to give Amatil as much as three quarters of the A$535m a year national market for Coca-Cola, and a 34 per cent overall market share for soft drinks. This is ahead of Cadbury Schweppes Australia with some 21 per cent.

This announcement appears as a matter of record only.

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November 15, 1985

CITICORP INVESTMENT BANK

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November, 1985

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Floating Rate Notes Due 1995

Interest Rate	8½% per annum
Interest Period	22nd November 1985 24th February 1986
Interest Amount per U.S. $100,000 Note due 24th February 1986	U.S. $2,219.44

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Agent Bank

Lloyds Bank Plc
(Incorporated in England with limited liability)

U.S.$500,000,000
Primary Capital Undated Floating Rate Notes (Series 2)

In accordance with the terms and conditions of the Notes and the provisions of the Agent Bank Agreement between Lloyds Bank Plc and The Chase Manhattan Bank, N.A., dated 19th November, 1985, notice is hereby given that the Rate of Interest for the Initial Interest Period beginning on 21st November, 1985 has been fixed at 8¼% p.a. The relevant Interest Payment Date is 21st February, 1986 (making an interest period of 92 days), and payment of US$210.83 per U.S.$10,000 principal amount will be paid only through Cedel S.A. and Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System, by credit to the account of a person entitled thereto, subject to receipt of a certificate (in the usual form) to the effect that the beneficial owner of the Note is not a U.S. person. (In case of doubt, the full text of the required certificate is obtainable from Cedel S.A. or the Euro-clear System).

22nd November, 1985
By: The Chase Manhattan Bank, N.A., London, Agent Bank

INTL. COMPANIES & FINANCE

Japanese traders boost net worth

BY YOKO SHIBATA IN TOKYO

MIXED RESULTS were reported by Japan's four major trading houses for the half-year to September. Mitsubishi Corporation and Mitsui and Co. the two largest, fared best with near-30 per cent jumps in pre-tax profits.

Brisk domestic trading offset sluggish exports and imports. All four were rewarded by their efforts to improve net worth. They pushed ahead with streamlining of their businesses by liquidating unprofitable subsidiaries—Mitsubishi wrote off Y23.1bn ($113.6m) and Mitsui Y15.5bn.

For liabilities related to the failure of Sanko Steamship—with which the groups had trading and other links—Sumitomo Corporation alone set aside Y400m against the loss in value of its holding of Sanko stock, as well as Y4bn in its bad debt reserves relating to its Y30bn loan guarantee to Sanko.

Nissho Iwai set aside Y100m for its holding in Sanko while Mitsubishi did not write down Sanko-related liabilities.

For the current half-year, the four trading houses see a slack export-import performance caused by the higher value of the yen and softer commodity prices.

Mitsubishi's jump in pre-tax profits resulted from an improvement in its financial position, which more than offset the effect of sluggish prices for fuel and foods.

The performance by Mitsui reflected the combined effect of an increase in dividends received from abroad and a drop in interest payments on its borrowings.

Mitsui suffered a 3.7 per cent fall in export trade, which it attributed to lower machinery

RESULTS IN Ybn FOR HALF-YEAR TO SEPT 85 (SEPT 84)

	Sales		Pre-tax profits		Net profits	
Mitsubishi ...	8,299	(7,970)	29.17	(22.26)	12.13	(11.27)
Mitsui	7,746	(7,127)	20.57	(15.93)	4.20	(3.04)
Sumitomo ...	7,118	(6,350)	23.39	(22.36)	10.77	(10.40)
Nissho Iwai .	4,348	(4,099)	7.81	(7.80)	2.40	(3.04)

All figures are parent company results

Thanks to brisk demand for electric power generation equipment and for construction machinery, Mitsubishi experienced a 12.5 per cent boost in domestic trade to account for 38.2 per cent of total sales.

For the full year, Mitsubishi expects pre-tax profits of Y52bn, unchanged from the previous year, on sales of Y16,200bn, down 1.4 per cent. It is to keep the annual dividend unchanged at Y7 a share.

shipment and construction orders. While imports fell 0.9 per cent, due to lower material prices, the company offshore trade jumped by 43.5 per cent, thanks to intermediary trading in liquefied petroleum gas, non-ferrous metals and machinery.

Mitsui also experienced increased domestic trading except for foods. The company said, it expected to achieve the originally projected sales of Y15,800bn for the full year. Pre-tax profits are expected to increase marginally and the dividend will be maintained at Y5.

Sumitomo's pre-tax profits rose a modest 4.6 per cent, affected by a sharp fall in dividends received from abroad.

Sumitomo said its profitability would deteriorate in the second half-year as a result of the yen's appreciation. It expects its pre-tax profits to remain almost unchanged from the previous year with sales projected at Y14,200bn, up 8 per cent. Sumitomo intends to peg its annual dividend at Y7.

Nissho Iwai's pre-tax profits were steady, but net earnings dropped by 21.1 per cent, attributed to an increase in extraordinary losses. These resulted partly from foreign exchange losses involving its dollar-denominated loans to an Australian aluminium venture.

Nissho Iwai expects full-year pre-tax and net profits slightly above those of the previous year on sales of Y9,000bn, up 5.2 per cent. The annual dividend will stay unchanged at Y6.

Merger of five Bahraini banks sought

By Our Financial Staff

THE Bahrain Monetary Agency (BMA) is seeking a merger of five of the country's smaller banks, in order to form an institution which would be financially better equipped to withstand the current recession in Gulf banking.

Bahraini bankers said as many as five banks have received a letter from the BMA in recent weeks suggesting that they combine. The five all have both Kuwaiti and Bahraini shareholders, and mainly operate merchant banking activities with little or no retail base.

One senior banker was reported as saying that the chairmen of the five were due to meet next week in order to explore the suggestion.

Although a unified institution would be likely to have the advantage of lower operating costs and a stronger capital base, it was not made clear by the monetary authorities whether any funds would be forthcoming from either of the two governments.

Mexico sells bulk of hotel chain to private investors

BY DAVID GARDNER IN MEXICO CITY

NACIONAL HOTELERA, Mexico's state-owned hotel chain, has been sold off to private investors in the largest single divestiture since President Miguel de la Madrid's Government began to dispose of "non-strategic" state assets and slim down the public sector.

The chain comprises the Presidente hotels, including the flagship Presidente Chapultepec in Mexico City's Chapultepec Park, units in major resorts like Cancun, Cozumel and Ixtapa, and the catering concession at Mexico City's airport and other Mexican airports.

A group of investors led by Mr Carlos Abedrop, a former commercial banker, and Mr Jeronimo Arango, owner of the Aurrera retail stores chain—the largest in Mexico—paid 27.2bn pesos for 60 per cent of the chain.

This is worth $55m at the free market exchange rate used in tourism transactions. The remaining 40 per cent will temporarily be retained by Fonatur, the state tourism development agency, and later offered to the public, probably through the stock exchange and/or Bancomer, the largest nationalised bank.

The deal represents restatement of the Mexican Government's divestiture philosophy, and a relaunch of flagging efforts to rationalise the public sector, which has become a serious drain on government finances.

Last year, the Government returned 339 non-bank assets owned by the nationalised banks to former shareholders. In January, the Government announced it would offer 236 public sector enterprises of a total of some 1,500 for sale to private investors, but fewer than 40 sales had been completed before that of Nacional Hotelera.

Cash realised on the hotel group sale can be ploughed back into infrastructure investment, at new tourism sites. Tourism, which is Mexico's second largest hard currency earner, is this year expected to bring in almost $2bn, less than expected because of September's earthquakes.

Bigger interest charge hits Dorbyl results

By Jim Jones in Johannesburg

ERRATIC DEMAND and higher interest charges have led to a sharp reduction in the pre-tax profit of Dorbyl, a leading South African heavy engineering group, despite the contributions from major acquisitions.

Dorbyl merged with Stewart and Lloyds, the structural steel company, in March. As a result turnover increased to R1.42bn ($526.3m) in the year to September from R635m in the preceding year.

Operating profit before interest and tax rose to R69.1m from R52.3m, but a substantially higher interest bill led to a lower pre-tax profit of R34.7m against R48m.

Mr Keith Jenkins, the chairman, fears that most domestic markets will remain depressed this financial year, but says that the rand's low external value will provide import replacement and export opportunities. He also believes that rationalisation benefits will develop from the past year's acquisitions.

Earnings dropped to 81.6 cents a share from 165.9 cents, and the total dividend has been cut to 40 cents from 51 cents.

Company Notices

EAST RAND GOLD AND URANIUM COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 71/07001/06

NOTICE TO HOLDERS OF 15.5 PER CENT UNSECURED CONVERTIBLE DEBENTURES 1988-1991 — INTEREST PAYMENT No. 3

Notice is hereby given that, in respect of the interest on the debentures for the period July 1 to December 31 1985, warrants bearing the latter date will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about December 17 1985 to debenture holders registered at the close of business on December 6 1985. For that purpose the transfer registers and registers of debenture holders will be closed from December 7 to December 13 1985, both days inclusive.

Registered debenture holders paid from the United Kingdom will receive the United Kingdom currency equivalent on December 9 1985 of the rand value of the interest due to them. Any such debenture holders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before December 6 1985.

In terms of the Republic of South Africa Income Tax Act, 1962, as amended, a withholding tax at the rate of 10 per cent will be deducted by the company, where applicable, from the interest payable to those debenture holders whose addresses in the registers of debenture holders are outside the Republic of South Africa. Interest amounting to R20 or less accruing in any one year is exempt from the tax.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per H. E. Phillips
Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
(P.O. Box 61051
Marshalltown 2107)

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Registered Office:
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
November 22 1985

WESTERN DEEP LEVELS LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 57/02349/06

NOTICE TO HOLDERS OF 12 PER CENT UNSECURED DEBENTURES 1986-1993— INTEREST PAYMENT No. 11

Notice is hereby given that, in respect of the interest on the debentures for the period July 1 to December 31 1985, warrants bearing the latter date will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about December 17 1985 to debenture holders registered at the close of business on December 6 1985. For that purpose the transfer registers and registers of debenture holders will be closed from December 7 to December 13 1985, both days inclusive.

Registered debenture holders paid from the United Kingdom will receive the United Kingdom currency equivalent on December 9 1985 of the rand value of the interest due to them. Any such debenture holders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before December 6 1985.

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By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per R. S. Edmunds
Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
(P.O. Box 61051
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Hill Samuel Registrars Limited
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Registered Office:
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
November 22 1985

Commercial Bank Detroit
DETROIT

is closing its London Branch as at 30th November 1985. Any holder of Negotiable Certificates of Deposit issued by the London Branch and maturing after 25th November 1985 should present them for either interim interest payment, or repayment in full, to

THE FIRST NATIONAL BANK OF CHICAGO
1 Royal Exchange Avenue
London EC3V 3LU

THE ROYAL BANK OF CANADA
Dividend No. 393

NOTICE IS HEREBY GIVEN that a dividend of 50 cents per share upon the paid up common shares of this Bank has been declared for the current quarter and will be payable at the Bank and its Branches on or after 22nd November 1985 to shareholders on record at close of business on 24th October 1985.

By Order of the Board.
R. J. MOORES,
Vice President & Secretary.

THE COLNE VALLEY WATER COMPANY

NOTICE IS HEREBY GIVEN that the Transfer Books of all the Debenture Stocks of the Company will be closed on 9th December, 1985, for one day only in respect of all such stocks other than the 5% Redeemable Debenture Stock 1980/1985 and finally in respect of that stock for the preparation of the Interest Warrants payable on 1st January, 1986.

Dated this 22nd day of November, 1985
W. A. COSGROVE,
Secretary.

Blackwell House,
Aldenham Road,
Watford,
Hertfordshire,
WD2 2EY.

Personal

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Legal Notices

THE COMPANIES ACT 1985
KELDANE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 588 of the Companies Act 1985 that a Meeting of the Creditors of the above-named Company will be held at Connaught Rooms, Great Queen Street, London WC2B 5DA, on Tuesday, the 3rd day of December 1985, at 12 o'clock noon, for the purposes mentioned in sections 589 and 590 of the said Act.

Dated this 12th day of November 1985.

By Order of the Board.
N. M. HEPPEL,
Secretary.

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INTERNATIONAL COMPANIES and FINANCE

Norcem plans NKr 338m share sale

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian industrial group with expanding offshore interests, plans to raise NKr 338m ($43m) through a new share issue to help finance its forthcoming purchase of a major stake in Aker, the Norwegian offshore fabricating group.

The board said it would seek shareholder approval, at a special general meeting on December 9, for the issue of 2,415,200 new shares. Of these, 2,246,200 would be offered to existing shareholders, on a one-for-four basis, at NKr 104 a share.

The remaining 169,000 would be offered to employees of Norcem group companies who would be able to buy up to 40 shares each at NKr 100 a share. Tentative date for the issue is January 2, with lists open until January 16.

Norcem announced earlier this month it had agreed to buy most of the 34 per cent stake in Aker held by shipowner Mr Fred Olsen, in a deal that could cost it NKr 665m. The group already holds 25 per cent of Aker's shares, and if it buys all 6.65m shares Mr Olsen is selling – as it hopes to do – its stake will rise to 54.8 per cent.

But Asea, the Swedish industrial group, is another Aker partner (with a 20 per cent stake at present) which has an option to buy some of the Olsen shares. Unless Norcem can persuade Asea not to exercise this option, the Norwegian group will be able to buy only about 3.7m Olsen shares. At NKr 100 a share – the price it has agreed with Mr Olsen – this will cost NKr 370m.

Norcem recently forecast 1985 pre-tax profits of NKr 275m, against NKr 199m last year. The eight-month figure was NKr 142m – up NKr 30m on a year earlier. The group said yesterday it expected "continued positive result development" and higher earnings per share than in 1985, even after the proposed capital increase.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for November 21.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅝ 92	100	100⅛	100⅝	+0½	+1¼	10.28
Amex Credit 10⅞ 90	100	104⅛	104⅝	+0⅜	+1¼	9.59
Atlant Richfld 10¼ 90	250	97⅞	98⅜	+0½	+1¼	10.49
Australia Com 11¼ 00	100	106¼	106¾	+0¾	+1½	10.35
Australia Com 11 95	200	106⅛	106⅝	+0⅞	+1⅝	9.91
BP Capital 11⅛ 92	150	105⅛	105⅝	+0⅜	+1	9.90
Campbell Soup 10½ 95	100	103⅝	104⅛	+0½	+0⅞	9.85
Canada 11½ 90	500	107¼	107¾	+0⅜	+0⅞	9.29
Canadian Pac 10¾ 93	100	104⅛	104⅝	+0⅜	+1	9.88
Canadian Pac 12½ 99	75	109⅞	109⅜	+0½	+0⅞	11.17
CEPME 10⅝ 91	100	100⅞	101⅜	+0¼	+0⅞	9.96
Chevron U.S.A. 12¼ 89	600	105⅜	105⅞	+0¼	+0⅝	10.40
Citicorp 10 88	200	† 101¾	102¼	+0½	+0⅞	9.12
Citicorp 10⅜ 95	200	99½	100	+0½	+0⅞	10.65
Coca Cola 11¾ 91	100	107⅜	107⅞	+0¼	+0½	9.97
Denmark Kingdom 11¼ 89	100	104⅛	104⅝	+0¼	+0½	9.68
Denmark Kingdom 11½ 90	100	105⅝	106⅛	+0⅜	+0¾	9.76
Denmark Kingdom 11½ 92	100	105⅞	106⅜	+0⅜	+1	10.12
E.D.F. 10 95	225	98⅞	99⅜	+0½	+1¼	10.13
E.E.C. 9⅞ 90	350	100	100½	+0⅜	+0⅞	9.53
E.E.C. 11⅛ 90	100	105⅝	106⅛	+0⅜	+0⅞	9.34
E.I.B. 12 95	200	110⅜	110⅞	+0⅜	+1⅜	10.17
Eli Lilly 10¼ 92	150	102⅝	103⅛	+0⅜	+0⅞	9.65
Export Dev Corp 10 90	100	102	102½	+0¼	+0⅞	9.34
Export Dev Corp 12 89	100	107½	108	+0⅛	+0⅛	9.54
Fed Dep Stores 10⅛ 95	100	99	99½	+0⅛	+0⅜	10.23
Ford Motor Cred 11⅛ 90	100	103⅝	104⅛	+0⅜	+0⅛	10.17
Ford Motor Cred 11¾ 92	100	† 105⅜	105⅞	+0½	+1	10.47
Ford Motor Cred 12 95	100	106½	107	+0½	+0½	10.79
Gen Elec Credit 10¼ 00	200	102⅛	102⅝	+0⅜	+0⅝	9.92
GMAC 10¼ 89	200	102⅛	102⅝	+0¼	+0½	9.39
IADB 10½ 95	150	101½	102	+0⅜	+0⅞	10.28
IBM Credit 10⅜ 2000	300	† 102½	103	0	+0⅛	9.99
Kellogg Company 10⅞ 90	100	104	104½	+0¼	+0⅜	9.57
Kellogg Company 11¼ 92	100	105½	106	+0⅜	+0½	9.94
L.T.C.B. 12⅞ 91	100	112¼	112¾	+0½	+0⅞	9.98
Macy Cred Corp 11¾ 95	100	† 102¾	103¼	+0⅜	+0¾	11.19
Mitsui Trust 11⅜ 90	100	104⅞	105⅜	+0⅜	+1⅛	10.14
Pillsbury Co. 10¼ 93	100	99⅞	100⅜	+0¼	+0⅝	10.41
Pru Realty secs 12½ 95	546	108¾	109¼	+0⅜	+0⅝	10.53
Qantas Airways 10⅜ 95	140	101½	102	+0⅝	+1	10.06
Quebec Hydro 11½ 92	100	107½	108	+0⅝	+0⅝	9.91
Queensland Govt 10¼ 95	100	99⅝	100⅛	0	+0⅝	10.25
Ralston Purina 11¾ 95	150	106	106½	+0⅛	+0⅜	10.64
Ralston Purina 12¾ 89	100	108	108½	+0⅛	+0½	9.77
Saskatchewan 10¾ 92	100	104½	105	+0⅜	+0⅞	9.68
Saskatchewan 11⅞ 89	100	107⅝	108⅛	+0⅜	+1¼	9.41
Statoil 10 90	170	101½	102	+0½	+1	9.50
S Wales Trsy 11¾ 90	150	106⅝	107⅛	+0½	+0¾	9.73
Swed Exp Cred 10 92	100	100⅞	101⅜	+0½	+1¼	9.73
Swed Exp Cred 12¾ 89XW	100	109⅜	109⅞	+0⅜	+0⅜	9.00
Sweden Kingdom 10⅞ 90	200	104⅝	105⅛	+0⅞	+1⅛	9.46
Sweden Kingdom 11½ 89	200	106½	107	+0½	+0¾	9.41
Sweden Kingdom 11¾ 94	100	108¼	108¾	+0½	+1⅛	10.26
Tenneco Corp 10¾ 95	150	102⅛	102⅝	+0⅝	+1⅜	10.33
Texaco Capital 10 95	300	92½	94	−2½	−1⅝	11.15
Texaco Capital 11⅛ 95	250	103⅜	103⅞	+0½	+0⅜	10.48
United Tech Fin 10⅛ 95	100	101	101½	+0⅛	+0¼	10.40
Victorian Rep 11⅝ 92	150	106½	107	+0⅜	+0¾	10.12
World Bank 10⅛ 95	300	100⅞	101⅜	+0⅜	+1¾	9.92
World Bank 12⅞ 94	200	114⅝	115⅛	+0⅜	+1¼	10.23

Average price change On day +0¼ on week +0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	105¼	106	+0⅜	+0⅝	7.11
Austria Republic 7⅜ 94	200	103⅞	104⅝	+0¼	+0⅝	6.93
Baxter Travenol 7¼ 94	200	101⅜	102⅛	+0¾	+0⅞	6.96
Copenhagen 7⅜ 95	150	99⅞	100⅝	0	+0¼	7.33
Credit National 8⅛ 94	200	105⅜	106⅜	+0¼	−0⅝	7.13
E.I.B. 7¼ 94	300	101⅜	101⅞	+0⅞	−0⅛	7.00
Escom 8 92	150	99⅝	[illegible]	0	−0¾	8.27
[illegible]						

Average price change [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

[illegible]

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$10bn award 'outrageous' says Texaco

By William Hall in New York

TEXACO, the US oil group, has described a $10.5bn damages award against it as an "outrageous travesty." It is confident the decision will be reversed on appeal.

The group is trying to cushion the damage to its share price after the record damages award, which stems from its $10.2bn takeover battle for Getty Oil early last year.

Pennzoil, a medium-sized company that has agreed to take control of Getty, sued Texaco on the ground that it forced Getty's board and its major shareholders to scrap a prior agreement with Pennzoil.

If the award is upheld, several Wall Street analysts believe Texaco will have little choice but to file for protection under Chapter 11 of the US bankruptcy code.

Mr William Weitzel, Texaco's general counsel, told a group of security analysts in New York that the company was confident it could win the lawsuits and overturn the damages.

"There is no way it [the decision] can withstand appeal," Mr Weitzel said. "If there is any justice in this system, and I think there will be, we are going to be a clear winner."

N. AMERICAN QUARTERLIES

ALCO STANDARD
Paper and office products distribution

Fourth quarter	1984-85 $	1983-84 $
Revenue	1.03bn	880.3m
Op. net profits	25m	18.9m
Op. net per share	1.14	0.85
Year		
Revenue	3.82bn	3.39bn
Op. net profits	74.8m	54.8m
Op. net per share	3.38	2.87

DOME MINES
Mining

Third quarter	1985 C$	1984 C$
Revenue	52.5m	47.8m
Net profits	6.9m	4.9m
Net per share	0.08	0.07
Nine months		
Revenue	154.9m	151.1m
Net profits	14.9m	†5.9m
Net per share	0.19	†0.08

† Loss

FEDERATED DEPARTMENT STORES
Retailing

Third quarter	1985 $	1984 $
Revenue	2.36bn	2.26bn
Op. net profits	57.5m	42.3m
Op. net per share	1.18	0.87
Nine months		
Revenue	6.75bn	6.4bn
Op. net profits	126m	113.2m
Op. net per share	2.58	2.33

JAMES RIVER
Special papers

Second quarter	1985-86 $	1984-85 $
Revenue	674.5m	638.2m
Net profits	28.8m	30.1m
Net per share	0.79	0.88
Six months		
Revenue	1.3bn	1.26bn
Net profits	52.3m	52.5m
Net per share	1.47	1.51

WESTVACO
Forest products

Fourth quarter	1984-85 $	1983-84 $
Revenue	436.9m	458.9m
Net profits	35.8m	41.2m
Net per share	1.20	1.45
Year		
Revenue	1.72bn	1.77bn
Net profits	104.6m	130m
Net per share	3.65	4.60

International Thomson steps up earnings

BY BERNARD SIMON IN TORONTO

INTERNATIONAL THOMSON, the publishing, travel and energy group controlled by the Thomson family of Toronto, lifted earnings before extraordinary items to £88m ($125m), or 30.1p per share, in the nine months to September 30 from £76m, or 25.8p a share, a year earlier. Sales rose from £1.30bn to £1.37bn.

Net earnings in 1984 were boosted by a £19m gain from the sale of the group's investment in Reuters, the international business information group.

The latest results do not reflect the financial impact of the fierce price war waged in recent months between the group's British package tour subsidiary Thomson Holidays and other tour operators.

Interest receipts on booking deposits are higher, and Thomson is offering 2m holidays this year, two-thirds more than in 1984.

Trading profit of the group's publishing interests has improved, despite "soft conditions in some markets" for books and business magazines. Professional publishing and British regional newspapers continue to perform strongly.

Salomon currency hedge

BY PAUL TAYLOR IN NEW YORK

SALOMON BROTHERS, the Wall Street investment bank, has disclosed a new second-generation hybrid foreign currency hedging instrument. This could, Salomon claims, be used by corporate treasurers and others as a substitute for currency forward exchange contracts and currency options.

The range forward contract, as it is called, is designed to combine the simplicity of existing forward exchange contracts with some of the profit potential – and limited risk – of existing currency options. If successful, it could challenge the use of existing hedging instruments

A range forward contract specifies a range of exchange rates in which the currencies are exchanged at a predetermined contract expiration date.

UK COMPANY NEWS

Refining boosts BP above forecasts

BY DOMINIC LAWSON

British Petroleum has reported third quarter replacement cost net profits of £477m, the best *quarterly* result by Britain's largest company. In the same period last year the company made net profits of £313m.

In the past week the share price gained 50p as the stock market anticipated good results.

But the profits were better than the most optimistic forecasts and yesterday the price added a further 13p to close at 605p, the highest this year. Most other oil shares remain well below their year best.

BP's share performance will encourage the Government, which is likely to sell a large part of its remaining 35 per cent stake in the company this year.

Sir Peter Walters, chairman, said yesterday: "The improved *results are primarily due to a* strong performance from BP's refining and marketing business which reflects the continuing improvements in competitiveness brought about by the rationalisation of the past few years."

Sir Peter Walters, the chairman

This business, BP Oil International, turned in operating profits of £153m in the third quarter, compared with only *£15m in the same period last* year. The profits surge has also been hleped by the weaker dollar, the currency in which crude oil is bought, meaning that BP's non-US refining and marketing businesses have seen a big drop in costs.

A further *factor* is the ending of the miners' strike, allowing BP's *more modern refineries* once again to make the large margins associated with the upgrading of crude into *higher* value transport fuel, rather than less profitable heavy fuel oil.

BP Exploration, which kept the company's results respectable during the bad period for refining and marketing, showed a £40m drop from the previous quarter to operating profits of £341m. The main reason was a decrease in North Sea production of 44,000 barrels a day. But with the summer platform maintenance programme over, higher production is likely for the final quarter.

The final quarter will also benefit from the recent surge in North Sea oil prices. Yesterday December shipments of the main North Sea crude, Brent, were traded at $30.60 a barrel, 25 cents up on the previous day.

BP's US subsidiary, Sohio, contributed net profits of £214m, little changed from the £219m recorded in the second quarter. Sohio's share price has been buoyed by the belief that BP will use its £2.3bn cash pile towards a bid for the shares it does not already own. BP is still undecided, however, on what its next big acquisition will be.

One recent development, the creation of BP Finance International on January 1 1985, made an *immediate impact.*

The figures show a £26m operating profit for the other *businesses and corporate sector.* *In the same period last year this* division made only £6m. It is thought that BPFI, the group's new in-house bank, made about £20m of this, mainly through arbitrage deals.

A continuing black spot was the performance of BP Minerals. It turned in an operating loss of £18m, adding to its first-half operating losses of £32m. Last week 46 people were dismissed from the head office, and its exploration budget is being cut from £30m to £20m.

The market is already braced *for extraordinary year-end losses* relating to the closure of the Llandarcy refinery and reorganisation of coal assets in Australia. But BP said yesterday that there would be "adjustments to the carried costs of certain other group assets which are currently under review.

It would not say yesterday which assets were to be revalued.

Despite this ominous note, oil analysts were busy upgrading their forecasts for full-year profits. James Capel is now *forecasting* net profits for 1985 of £1.75bn.

In the first nine months BP produced £1,338m of that, a 42 per cent rise over £943m made in *the first nine months of 1984.* Earnings per share in the first nine months were 69.7p (57.6p).

See Lex

Tricentrol's third quarter slump to £4m

Tricentrol, the UK-based oil and gas explorer, yesterday announced sharply lower third-quarter results for 1985, blaming a continued oil price fall and sterling's strength against the US dollar.

The announcement was initially followed by a 12p share price fall to 153p, a low for 1985, *although by the close* the shares were 5p lower at 160p.

Net profits after tax were *down by nearly 60 per cent from* £10.2m to £4.1m after allowing for a favourable £4m swing to tax credits of £1m.

The net results for the three months to end-September left the nine-month total £3.3m lower at £18.2m.

Turnover for the quarter fell by nearly £10m to £23.4m which Tricentrol attributes to £1m for production variance, £4.1m for price variance, and the remaining £5.8m for exchange variance.

Group production was 16,935 barrels of oil per day (bpd) compared with 17,457 bpd in the *corresponding quarter of* 1984.

Gross profits, after production costs and depletion, were down from £17m to £9m and were further reduced to £3.1m at the taxable level, against £13.2m, by interest charges £1m higher at £3.4m and a £1.6m turnround from other income to losses of £1.3m.

Tax credits were split as to £0.2m (charge £2.2m) for Petroleum Revenue Tax and £0.8m (charge £0.8m) for corporate tax. Earnings per share were 4.4p, against 11p.

Three exploration areas have been *added to Tricentrol's port*folio as a result of farm-in agreements; Paris Basin (30 per cent), *Seram, eastern Indonesia* (10 per cent) and Switzerland (5 per cent), with Seram and Switzerland *still* subject to government consent.

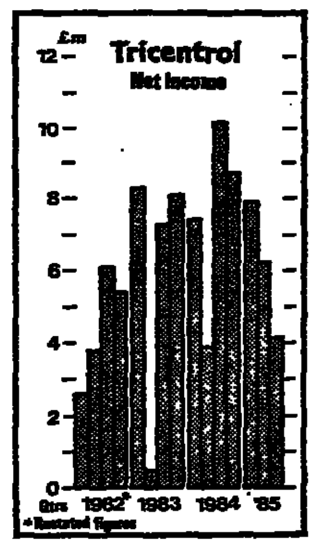
In the UK, Tricentrol's share of oil production from the North Sea's Thistle field was 793,265 barrels for the quarter and gas exported via the Northern Leg gas pipeline totalled 639.2m *cubic feet.*

Tricentrol derived 58,290 barrels, including natural gas *liquid,* from the Deveron field and 173,480 barrels from the Buchan field.

Onshore, a total 5,100 bpd were produced from Wytch Farm and appraisal drilling on Furzey Island has started. Tricentrol has submitted a number of *applications in* the first round of UK onshore licensing awards are expected to be made in early 1986.

Elsewhere, work is continuing in three exploration areas in Sicily; drilling is taking place in Egypt; work continues on two offshore blocks in China; two further appraisal wells are scheduled in Australia; and seismic survey work is scheduled in New Zealand.

In North America oil production in Canada averaged 2,014 bpd during the third quarter and in the US 15 wells five were abandoned) *were drilled in Montana,* an exploratory well drilled offshore California, and two development wells drilled offshore Gulf of Mexico.



● comment

These were *dismal* figures. Having sold cargoes forward, Tricentrol missed out on the spot market *rally in the third* quarter and the same will be true in the fourth; and the figures would have been a million pounds or so worse but for the addition to proven reserves in the Amethyst field which cut the depletion charge. Given the collapse in profits before tax (to £3.1m), there is a limit to bottom-line protection from the *release of deferred tax* provisions from a tax-efficient North Sea programme. In truth, these figures merely underline Tricentrol's leverage to the sterling oil price because of its heavy interest and depletion costs. Should the oil price fall next year, Tricentrol's yield support will look fragile when compared to that of BP and Shell. As it is, the share price fell 5p to 160p yesterday. As for the *longer term, there must be a* real question whether Tricentrol can actually finance its excellent assets without dilution.

Mercury Group to be formed next April

Mercury International Group, the new securities group being formed by S. G. Warburg, the merchant bank, for the City revolution, will probably come into existence in mid-April next year, the bank announced yesterday.

The group will consist of Warburg, Akroyd & Smithers, the jobbing firm, and two stockbrokers, Rowe & Pitman and *Mullens & Co.* The merger is dependent on the Stock Exchange amending its rules on outside ownership of its members.

Mercury Securities, the parent of S. G. Warburg, said that profits in the six months *ending* March 31, 1985 "are significantly higher than for the corresponding period of the previous year." As is customary, the bank gave no details, but added: "All areas of the group's business have been particularly active in *the year to date.*"

Akroyd& Smithers earned £16.4m pre-tax in the year ending September 27, 1985, up from £9.4m in the previous year. Profit after tax and minority interest, but before extraordinary items was *£9.5m, compared wto £5.7m.* Results for the present year to date have been satisfactory, it added.

It is recommending a final payment of 13.5p (12.5p), making a total of 17.5p (16.5p).

Rowe & Pitman and Mullens also announced that first half profits were well ahead of those for the corresponding period in 1984 despite the *high* cost of developing overseas business. UK equity business continued to rise and activity in the gilt-edged market was sustained.

The announcements made no mention of the recent acquisition of 11 per cent of Mercury *stock* by Mr Saul Steinberg, the US financier. However, contacts between Mercury's senior management and Mr Steinberg are under*stood to* have taken place.

After next year's merger, Mercury International Group will begin to publish details of its results at the interim stage.

Export upsurge behind £44m rise at Distillers

THE Distillers Company comfortably beat City estimates yesterday with interim results show*ing pre-tax profits* £43.8m ahead at £124.3m.

Analysts had been looking for *figures of* between £110m to £115m. After an initial rise to a year's high of 503p shares of the Edinburgh-based whisky and gin distiller fell back to close at 495p.

The directors, who are raising the interim dividends by 1p to 5.5p net, describe the results as outstandingly good and point out that they were influenced by an exceptional upsurge in export sales which is likely to alter the normal balance of activity between the two halves of the year.

They add, moreover, that during the six months to end-September the dollar continued to be relatively strong.

Group exports of Scotch whisky worldwide increased by 19 per cent in volume and by 27 per cent in value, compared with the corresponding six months of 1984-85.

A number of major markets showed continued growth, including the US, the world's largest Scotch whisky market, *where* volume increased by 20 per cent, and continental EEC, where group shipments advanced strongly.

The performance in the US reflected an acceleration of buying ahead of the increase in Federal Excise Tax on October 1 *as well as to group's own FOB* price increase on that date.

In the home market, Scotch *whisky sales* volume *increased* by more than 10 per cent.

Gin exports were ahead by 17 *per cent* in volume and by 19 per cent in value, with a substantial acceleration of shipments *of* Tanqueray gin to the US market.

The directors are confident about the *outlook* for the remainder of the year.

Including duty *of* £162.5m *(£154.1m)* group sales for the opening six months pushed ahead from £554.5m to £641m, an *increase* of 16 per cent. Excluding duty the figures broke down as to UK £133.3m (£125.5m) and other markets £345.2m (£274.9m).

Trading profits came through £32.4m higher at £111.9m.

Pre-tax results were struck after adding in a £2m (£0.3m) share of related companies' profits, income from investments totalling £6.8m (£5.6m), interest income of £14.1m (£7.6m) and a £3.8m (£2.2m) surplus on the realisation of investments. Interest charges accounted for £14.3m (£14.7m).

Tax, calculated at 40 (45) per cent, took £49m (£35.3m) to leave net profits of £75.3m, compared with a previous £45.2m.

Extraordinary charges were reduced from £4.4m to £0.9m and related to rationalisation, redundancy and closure costs.

Earnings emerged at 20.73p, against 12.45p per 50p share.

The results of overseas companies were translated into sterling from April 1 at quarterly avereage exchange rates, in place ofth e patricular rates at date of balance.

On the old basis the reported profit before tax would have been understated by approximately £0.9m.

Following the interim assessment by the Actuary of the group's UK pension fund as at March 31, 1985 a surplus has been disclosed.

This is in addition to the substantial surplus disclosed at end-March, 1984 of which more than £40m was used to enhance pension arrangements.

The Actuary has recommended that no contribution be made to the fund for the year to March 1986 and has expressed the opinion that based on present circumstances, "no contribution is likely to be required for at least two years thereafter."

The directors have decided to give effect to this recommendation in the current year with a *saving in costs in excess of £12m.*

The savings are expected to continue at this level for the subsequent years.

For the 1984-85 year as a whole Distillers raised its profits before tax from £191.6m to £236.2m and paid a final dividend of 109.8p.

See Lex

Wedgwood rights to raise £14m

Wedgwood, the bone china and earthenware maker, yesterday announced a one-for-five rights *issue at 187p a share to raise* £13.6m. The proceeds will be used to cut borrowings and finance an acceleration *of* its investment programme.

The group also published its figures for the half year to September showing pre-tax profits only slightly ahead at £6.05m against the previous year's £5.96m, on turnover of *£72.32m (£68.88m).*

The results fell short of the market's expectations and the shares shed 10p to close at 216p.

Wedgwood said substantial progress had been made by its marketing operations in Australia and Japan, and that there had been good growth in Britain, Italy and the Netherlands, but the rest of Europe—notably West Germany—and its important North American markets had suffered from depressed retail *trading.*

The group succeeded in improving operating margins in spite of the adverse effect of exchange rate movements through further increases in productivity, but an increase in borrowings from about £17m at the last year-end to about £23m now, took the interest charge up from £643,000 to £1.13m.

The tax charge was unchanged at *£2.65m, and earnings per* ordinary share edged up from 8.8p to 9p. The interim dividend has been lifted from 2.75p to 3p.

Wedgwood said the purpose of the rights issue was to raise its level of capital spending from £3m a year over the last three years to £10m a year this year and next.

This would include the £5m hotelware project already announced which would more than double its hotelware capacity; the conversion of an earthenware factory in Burslem, north Staffordshire, into a quality bone china factory: further expansion of the group's crystal and glass activities; investment in the development of its markets in Japan, Hong Kong, Singapore and South Korea; and the general expansion of its manufacturing capacity.

Sales of fine bone china and hotelware had been held back during the *last six* months by the limits on production capacity, the group said.

Brokers to the issue are Cazenove, and it is underwritten bv Hambros Bank.

● comment

The nagging thought persists that this rights issue would not have been necessary if Wedgwood had managed to find a buyer for the Franciscan factory site in California. In the last balance sheet *the group carried* forward nearly £11m of costs associated with the closedown of the factory on the basis that they would be more than recouped by the sale of the site. Negotiations were said to be at an advanced stage but the sale has yet to materialise, and the shortfall in funds must have been a factor in constraining Wedgwood's capital spending to date. That apart, yesterday's results were only slightly worse than expected and reflect the adverse effect of exchange rates more than anything fundamentally wrong at the trading level. Consumer spending is looking dull in North America and West Germany, *but if exchange rates* are set on a comparative basis the turnover figure looks somewhat healthier at 11 per cent. For the full year the City is looking for about £16.5m, putting the shares on an undemanding prospective p/e ratio of 9½ after a 44 per cent tax charge.

Jeremy Peace takes control of Sangers

By Lionel Barber

Mr Jeremy Peace, a 29-year-old former investment adviser, has bought a 76 per cent interest in Sangers Photographics in a deal worth £3.04m cash.

Mr Peace said he had received tor of two speculative stocks, Access Satellite International and Morland Securities, is offering 40p a share to Pavion International, the owners of Sangers Photographics.

News of the acquisition sent Sangers shares soaring, closing at 78p, up 38p on the day. The offer values Sangers at £4m.

Mr Pearce said he had received backing from several financial institutions. Some 2.6m shares (26 per cent) have been placed with these and other investors. These investors have undertaken not to accept the offer of 40p for the outstanding balance of shares.

Last January, the parent company, Sangers, announced a deal whereby it acquired Pavion Cosmetics of New York for $24m via a heavy rights issue. Sangers abandoned its full listing and joined the USM, changing its name to Pavion International last June.

Mr Peace, a small shareholder in Pavion, said he was looking forward to developing Sangers Photographics which last June reported pre-tax profits of £695,000, up from £546,000.

Pavion said the deal would improve shareholders' funds and cash balances

Powell Duffryn advances 19%

GREATLY *increased* profits have been recorded by the associates in the Powell Duffryn group. This has led to the pre-tax profit for the half-year ended September 30 rising by 19 per cent from £6.05m to £7.21m.

The directors state that the most important part of the year is the winter months, and they anticipate a satisfactory second-half profit for that period of last year was over £13m.

Lord Sandon, in his last state*ment as chairman, says* the past 12 months have seen significant changes in the group, including the share exchange acquisition of UK Petroleum Products, the sale of the timber interests for cash, a marked reduction in gearing, the decision to relocate the head office, and the establishment of a new management team.

*In the half year the subsi*diaries produced a turnover of £315.85m (£243.12m) and a trading profit of £8.62m *(£9.24m),* and the associates made £40m (£51.68m) and £2.35m (£596,000) respectively. Interest charges were held at £3.76m (£3.78m).

The timber and builders' materials activity was sold last month, and only the first six months' figures will fall into construction materials results. The loss on disposal of some £6.5m will be dealt with as an extraordinary item in the year-end accounts.

A breakdown of the trading profit shows fuel distribution £2.49m (£2.7m), shipping £2.7m *(loss* £301,000), bulk liquid storage £1.83m (£2.52m), engineering £1.99m (£3.14m), and construction materials £1.94m (£1.78m). The overseas contri*bution fell from £3.4m to £1.3m.*

UK engineering, led by Hamworthy, continued its profits recovery, and Hiller in the US is performing steadily.

However, with the abrupt curtailment of agricultural subsidies in Saudi Arabia and no upturn in the US farming market, National Pump fell into serious loss.

For the half-year, the earnings on a weighted average basis came to 6.8p, against 6.6p. The interim dividend is raised from 3.33p to 4.5p net to reduce dis*parity with the final—10.67p last* time.

● comment

Powell Duffryn had been widely expected to rebound from last year's depressed first half to something like £8.5m, but the *reasons for* the shortfall looked convincing — and temporary — enough to bring the share price back grom earlier falls to close just 2p down at 290. Shipping made the expected recovery following the end of the coal strike but fuel distribution, the *biggest division,* was hit by keener pricing and stock losses caused by falling oil prices and *bulk storage did not benefit from* last year's exceptional property profits of £400,000. Meanwhile the disappearance *of National* Pump's most important market in Saudi Arabia brought losses of £1½m. Prospects for the second half looks somewhat brighter: the chilly weather bodes well for oil prices, UK Petroleum Products will be making its first *full contribution, National Pump* is expected to break-even and the sale of the timber operations wil cut gearing from 50 per cent at the last year-end to less than 35 per cent. About £25m is in sight, putting the shares on a prospective p/e ratio of nearly 12 after a 39 per cent tax charge. The rating looks up with events.

French Kier holders want Abbey

French Kier, the UK construction group which is subject to a bid from C. H. Beazer, yesterday announced that it had won shareholder approval for its own contested bid for Abbey, the Dublin-based builder.

The poll of the 3,987 French Kier shareholders resulted in 1,557 voting 20.3m in favour and 35 voting 12.8m against. The bulk of the against votes—12.7m — came from Trafalgar House, which has already conditionally agreed to sell its holding to C. H. Beazer.

The offer for Abbey and the cash alternative has been extended to December 5. By 3 pm yesterday, the offer for Abbey *had been accepted by holders of* 38.7 per cent of the shares (36.4 per cent were the subject of *irrevocable undertakings to* accept).

Dialene placing on USM

By David Goodhart

DIALENE, a north London-based manufacturer of plastic goods, announced yesterday that it is being placed on the USM next Tuesday.

The company, which is expecting to be capitalised at £4.8m, is raising about £1.5m, *of which 68 per cent will* remain in the hands of the founding Ilsen family.

Shares are likely to be placed at 125p and dealing will begin on December 2.

For the year end May 31, 1985 turnover was £3.9m *and pre-tax profit* £614,000. The company said sales this year are up 30 per cent on the comparable *period of last* year and exports are up 60 per cent. It has had compound growth in pre-tax profit of 11 per cent over the last 5 years.

Its traditional base is in plastic garden goods, which *still account for 68 per cent* of sales. Housewear products account for 20 per cent but the main growth area is nursery furniture which now takes 12 per cent.

Mr Henry Ilsen, the managing director and chairman *who formed the company in* 1949, said: "We are becoming a public company to enhance our prestige with suppliers and customers and we will also be looking to make acquisitions if the right opportunity arises."

He said Dialene had one of the best ranges in injection moulded plastic goods *in the UK*

The development of Kiddyland and a greater spread of customers and products followed a slight setback in the company's growth in 1981 and 1982. Sales to Woolworth which then stood at 20 per cent are now down to 14 per cent.

De Zoete and Bevan, the brokers handling the placing, say it is planned that the shares should be placed on an *historic p/e of about 11* based on a 35 per cent notional tax charge

Midland Bank plans a new parent

By David Lascelles, *Banking Correspondent*

THE Midland Bank Group is *considering* adopting a holding company structure in which the bank and other members of the *group would become subsidiaries* of a new parent rather than of the bank itself.

Although no *final* decisions have been taken, the change would formalise shifts in the Midland *structure* which have already taken place.

The major subsidiaries of the holding company would include the Midland Bank, Crocker *National Bank,* and the new securities operation being formed round Samuel Montagu, Mid*land's merchant bank,* and Greenwell and Co, the stock-broking firm it plans to buy.

Other major members of the Midland Bank group are Thomas Cook, the travel firm, Forward *Trust, the finance house, and* foreign subsidiaries like Trinkaus and Burkhardt, the German bank.

Midland announced yesterday that Mr John Harris, 51, the executive director who was sent out to *California nearly two years* ago to deal with Crocker's huge losses, is returning to London. From January he will be responsible for the direction and control of group management services and the co-ordination of the group's systems policy.

His return is an indication that Midland finally believes *it has* got the Crocker problem under control.

Mr Harris' place on Crocker's board will be taken by Mr Michael Jullen, 47, director of group finance and administration.

A decision is expected shortly on the date when Mr Christopher McMahon, who is resigning as deputy governor of the Bank of England, *will join the Midland* Group as a director prior to becoming chairman in 1987.

Attempt to remove TSW chairman fails at AGM

A SHAREHOLDER'S attempt to remove the chairman of Tele*vision South West,* Sir Brian Bailey, failed at the ITV company's annual meeting in *Plymouth yesterday.*

Mr Maurice Hutton, a wealthy west country businessman who owns just under 2 per cent of the issued share capital, was overwhelmingly defeated in his attempt to remove Sir Brian. A proxy vote showed the owners of 13.7m shares in favour of reselecting Sir Brian with 1m against. Fifty shareholders attended the meeting.

After the meeting Sir Brian said: "I'm delighted but not *surprised by the outcome. Mr* Hutton's challenge was pretty serious for the well-being of the *company, but in the end it hasn't* affected our share price."

Mr Hutton said afterwards "I *didn't expect to* win but it's a start. It has brought home to the board that shareowners care and are prepared to try to do something about it when things are not going well."

Mr Hutton said he was concerned because of TSW's drop in profits. But what started his campaign to remove Sir Brian was the TSW Board's decision in January to part company with Mr Kevin Goldstein-Jackson, the chief executive.

Before the annual meeting Mr Hutton had written a three-page letter to all 860 shareholders criticising Sir Brian and Mr Harry Turner, the managing director.

Sir Brian said the company was in excellent shape. Revenue from advertising sales was grow*ing three times faster* than the average for the ITV network. Also the company had just won four programme awards.

TSW is one of the smallest ITV companies. Its 194-85 turnover rose *7.4* per cent to £23.9m in the year ended July 1985 and pre-tax profits were £1.42m—down 16.6 per cent.

Delyn losses doubled

STRUCK AFTER a £50,000 exceptional charge relating to a compensation payment *for* the former chairman, Delyn Packaging incurred a doubled pre-tax *loss of £70,000 for* the *half* year to August 4 1985, against £35,000 in the corresponding period last *year.*

Turnover increased from £1.86m to £2.27m, mainly arising from the plastics division, generating an operating profit of £11,000 (£20,000 loss). After interest payable of £31,000 (£15,000), the trading deficit was £20,000 (£35,000).

The company anticipates that the full year trading result, prior to the exceptional item, will be similar to 1983-84.

The exceptional item is a once-off compensation payment to Mr Geoffrey Fisher, who left the board in July on the grounds of ill health.

Stated half year loss per 20p share was up from 1.76p to 3.52p—there was again no tax. The interim dividend is unchanged at 1p net.

The plastics vacuum forming division has performed satisfactorily and this has continued *into the second half.*

The paper division has provided the usual half-year effect of such a highly seasonal business. Competition has also dramatically increased from home based and continental manufacturers. This has resulted in cut-throat prices with profitability very difficult to achieve.

Considerable attention is therefore being given to further expansion of the plastics *division,* and *such* changes as are required will be introduced to increase the rate of profitability *throughout* the company.

Tony Jackson takes a look at Beecham's latest US acquisition

Swallowing another dose of medicine

BEECHAM'S *$395m* (£274m) purchase of the US proprietary medicines business Norcliffe *Thayer is more imaginative* than it looks.

The stock market has traditionally looked on ethical (prescription) medicines rather than proprietary medicines as the *glamour* end of the health-car business.

Ethical drugs have been declining as a proportion of Beecham's group profits for several years, and the City has plainly been itching for the group to make a big acquisition in the area.

Mr John Robb, Beecham's new chief executive, says "we understand how the iCty feels, but it's easier *said* than done. In the longer term it's certainly our intention to drive as hard on pharmaceutical acquisitions as on anything else—but they're hard to find, and they're expensive.

"*We* also want investors to appreciate that the over-the-counter medicines business has a lot of attractions to the pharmaceutical indsutry in terms of cash flows and margins."

The point is well illustrated in the case of Norcliffe Thayer. *The company's operating profits* are forecast at $34m in the current year, an increase of 48 per cent on the year before, and forecast margins are a remarkable 26 per cent.

Beecham claims that even after financing costs, the acquisition will turn the group from being cash-neutral to cash-positive in 1986.

As was shown by Unilever's unsuccessful bid for Richardson Vicks earlier this year, the OTC medicine business in the US is widely seen as an attractive area.

Growth is coming not only from increasing health conscieusness among health 'ncmfw tions of the population, but also from the increasing number of medicines becoming available without prescription.

In the last 10 years, Beecham has built up its US sales of toiletries, OTC medicines and household products to $341m, with profits in the latest *year of* $39m. In the current year, the group confidently *expects* the profit *figure—excluding Nor*cliff—to climb to $50m.

In the US consumer market, there are disproportionate advantages to be gained from high market share. Beecham's Aquafresh toothpaste now has a claimed 13.3 per cent of the toothpaste market, and its Sucrettes throat lozengies have a share of 34.5 per cent. Sominex sleep tablets claim a 29 per cent market share, and Massengill vaginal douches 49 per cent.

Norcliff offers a couple of major products on a similar scale. Its Tums antacid tablets are number two in the US market, with a share of 20.7 per cent, and its *Oxy* acne treatment claims 21.1 per cent. The two products make up close to two-*thirds of the company's sales,* and the performance of Tums—whose market share is claimed *to have risen by 3 percentage* points since 1984—was the major factor in this year's profits increase.

Meanwhile, Beecham will have to fork out a formidable $360m plus for the acquisition, even after the projected sale for $25m-$35m of the unwanted Reheis fine chemicals business ("the vendors were very insistent on selling a package," Mr Robbs says).

However one calculates it, the resulting strain on the balance sheet will be enough to rule out a *further big acquisition in the* near future.

Unless, of course, Beecham *looks to raise cash from dis*posals. "It is certainly our intention to review the portfolio," *Mr Robb says,* "and see if there are any products which aren't *pulling* their full weight.

"When you've been on the acquisition trail for as long as Beecham has, there may well be bits of the business that don't fit as well as they did 10 years ago. But it's far too early to be *specific.*"

Thereafter, it is clearly the intention to look for an acquisition in the ethical drugs area.

Mr Robb, however, sounds a note of caution. "We have two businesses in Beecham—pharmaceuticals and consumer products. We're concerned with the total *profitability* of the group. If one horse is running faster than the other, it certainly isn't my job to slow *it down* while the other catches up."

See Lex

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Akroyd & Smithers		13.5	—	12.5	17.5	16.5
Alva Invst. Tst.	int.	1.3	Jan. 11	1.6	—	2.9
Boots	int.	2.5	Jan. 10	2.2	—	6.2
N. Brown Inv.	int.	3.75	Jan. 3	3	—	9
Burton Group		6.3†	—	4.5	8.8	6.5
Cement Roadstone		2**	Dec. 31	1.7	3.5	2.7
Coloroll	int.	2	Jan. 10	—	—	—
Distillers	int.	5.5	Jan. 24	4.5	—	15
EMAP	int.	1.2	Jan. 3	0.92	—	3
B. Elliott	int.	1¶	Feb. 28	0.1	—	2
Extel Group	int.	2†	Jan. 2	1.5	—	6.75
Hunter Saphir	int.	0.85‡	Jan. 3	0.7	—	1.75
Thos. Locker	int.	0.38	Jan. 2	0.38	—	1.3
Powell Duffryn	int.	4.5¶	Jan. 6	3.33	—	14*
Wedgwood	int.	3	Jan. 10	2.75	—	7.25

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ To reduce disparity. || Subject to Jersey tax. ** Irish currency.

N. Brown up 32%

Turnover at N. Brown Investments, Manchester-based direct mail order company, rose from £18.55m to £24.22m in the six months to August 31

Pre-tax profit rose 32 per cent from £1.44m to £1.91m. Earnings improved from 6.62p to 8.97p and the interim dividend is being lifted from 3p to 3.75p net.

Sales growth is continuing in the second half and the autumn/winter catalogues have been well received.

Country Garden, the garden accessories distributor which was acquired in May, has been incorporated within the Manchester operation and is doing well.

Hobson in loss

Difficulties and legal costs incurred in dealings with its former managing director Mr George Nicholson, resulted in Hobson, the USM-quoted maker of aluminium dies, incurring heavier losses than anticipated.

The pre-tax loss was £125,638, and no interim dividend is being paid. Turnover was £2,140, and there was a trading loss of £143,561.

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UK COMPANY NEWS

Burton advances 42% to record £80.2m

Burton Group reported record figures for the year to the end of August 1985. On turnover up by 32 per cent the clothes retailer saw its market share increase to 7 per cent and pre-tax profits improve by 42 per cent to better the forecast made at the time of the takeover of Debenhams.

From earnings per 50p share of 29.1p (21.1p), or 28.2p fully diluted (20.2p), the total payment is being raised to 8.8p with recommended final of 6.3p. A scrip issue of one-for-one has also been proposed.

Turnover was £551m, up from £415.9m, with taxable earnings of £80.2m (£56.41m).

During the takeover the directors had forecast pre-tax profits of not less than £78m, with earnings per share of 27.6p and a final payment of 6p.

Burton shares ended the day at 623p, up 18p, after touching 625p, a high for the year.

Mr Ralph Halpern, chairman and chief executive, says the results demonstrate the success with which the divisions have targeted sectors of the clothing market.

During the period the group successfully took over Debenhams and Colliers Holdings. However the offers became unconditional close to the end of the year and no significant contribution has been included from either.

Gross profit came out at £118.64m (£83.62m) with costs of distribution and administration at £37.08m (£28.19m), leaving trading profits at £81.55m, against last year's £55.43m. A breakdown at the trading level reveals menswear contributed £47.96m, up by 39 per cent from £34.56m, and womenswear accounted for £32.97m (£20.48m), a rise of 61 per cent.

There was £1.1m (£2,000) of profit on sales of investments and investment income and the pre-tax figure was struck after interest payments of £2.41m, against receipts last time of £976,000.

The Debenhams takeover saw borrowings increase by £260m, resulting in a gearing of 70 per cent. It is intended that this should fall to £100m within the next two to three years with the money coming from cashflow and some minor disposals. Mr Michael Woods, finance director, said yesterday there were no plans for major sales.

With a tax charge of £28.65m (£19.7m) and dividends absorbing £21.51m (£11.44m), the retained profit came out at £30.05m, against last year's £25.27m.

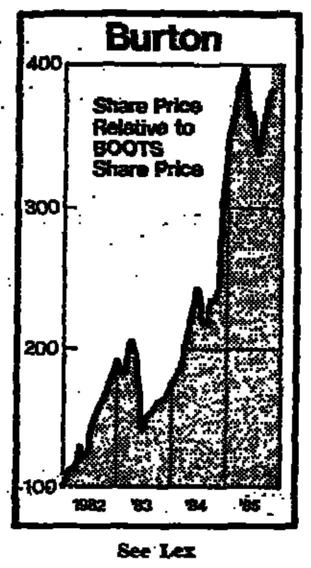
During the year there was £75m of capital investment with 147 new stores opened, 64 modernised and 32 resited or extended. Principles grew as planned to 49 outlets and a further 50 are to be opened in the present year.

A property revaluation of the original Burton Group resulted in a surplus of more than £30m.

Payments, including profit-related incentives, to the directors totalled £2.37m (£1.68m), with £542,000 (£348,000) paid to Mr Halpern.

The reorganisation of Debenhams has begun. Of the 500,000 sq ft which menswear and womenswear businesses will occupy in Debenhams by next summer, 236,000 sq ft has been taken with results said to be encouraging. The Preston store, which is under construction, is being considered as the test for the company's Galleria concept, in association with Conran Design Group, of which much was made during the takeover.

A new sector has been created from the corporate functions of Burton and Debenham, including their Personal Account and Welbeck credit operations.



See Lex

Boots beats City forecasts with increase to £85m

Boots, pharmaceuticals and consumer products group, increased its pre-tax profits from £79.9m to £84.9m in the six months to September 30 1985. The directors say the outlook for the rest of the year is encouraging for the retail division but, as always, is heavily dependent on Christmas trading. The industrial division is expecting a more difficult second half.

The interim dividend is increasel from 2.2p to 2.5p net—last year a total of 6.2p was paid from pre-tax profits up from £165.1m to £190.3m. Stated half-year earnings per 25p share were improved from 6.5p to 7.2p.

City analysts were forecasting first-half profits of between £77m and £78m.

Although the increase was 6.3 per cent, the directors say lower property disposals and the non-recurrence of last year's £5.8m DHSS remuneration adjustments distort the comparison, and without these factors the increase was 17.6 per cent.

Group turnover was £60.8m higher at £980.9m in the opening half.

Profits in the industrial division were 10 per cent higher at £37.1m compared with £33.7m on turnover up by 3.1 per cent. Retail division profits rose from £32.6m to £37.3m.

There was a surplus on the disposal of properties of £3.4m against £4.8m, and the pre-tax figure was after net interest and unallocated items totalling £7.1m (£3m).

First half tax was slightly lower at £31.4m (£32.1m), and after minorities of £800,000 (£500,000) and extraordinary profits last time of £14.2m attributable profits were down from £61.5m to £52.7m.

In pharmaceuticals, the sales increase was 8.8 per cent. The directors say there were good performances from Kanoldt, the new acquisition in West Germany, and in France, Italy, India and Pakistan. Profit was slightly down following the expiry of the ibuprofen patent in the US, and research expenditure—including work on the company's new cardiovascular product — increased in line with plan.

Consumer products sales increased by 6.8 per cent with above average performances in exports and from several overseas companies. The retail division also increased turnover by 6.8 per cent and profits by 14.4 per cent, after adjusting for the non-comparative items.

In the UK, Boots the Chemists increased sales by 6.8 per cent, of which 3 per cent was real growth. The directors say this was a creditable performance given the adverse impact of poor summer weather on sales of seasonal merchandise, and the reduction of the National Health Service limited list of prescribable medicines.

● comment

Boots has surprised with these stronger than expected interims and the market has responded by marking up the shares by 15p to 237p. Contrary to forecasts the retail side almost made up for the absence of the 1984 payment from the DHSS, improving margins to 4.5 per cent. The industrial division defied expectations by coming out well ahead with the price cutting on Ibuprofen, the all-purpose pain killer, in the US not having as sharp effect as feared. The July rejection by the US courts of Boots' injunction to stop other drug manufacturers from entering the generic market with their own Ibuprofen products is bound to lead to a sharp fall in royalty revenues this year and eventually to more competition in this market. It would, however, be wrong to underestimate the group's capacity to go on earning good profits on the gross margin made on the raw material alone. In the second half translation could lower overseas contributions but nevertheless the forecasts are for £205m (including £10m from property sales). This puts the shares on a prospective multiple of 13 (37 per cent tax charge), still below what the stock surely deserves.

Walker & Staff

Without the burden this time of start up costs first half pre-tax profits of Walker & Staff Holdings, distributor of valve and pipework equipment, rose from £48,000 to £108,000. The September 30 1984 figure was struck after £57,000 start up costs.

Turnover rose from £2.19m to £2.53m. After £43,000 (£14,000) tax, earnings per share were 3.04pj (1.59p).

Profits fall at Extel and shares lose 13p

At the pre-tax level, profits of the Extel Group, which provides information and communication services, have fallen by 4.2 per cent, from £5.24m to £5.02m, for the half year ended September 30 1985.

This disappointed the City, which was looking for a substantial increase in the first half result. The shares finished the day with a drop of 13p to 335p.

Lower tax, however, has led to a rise in earnings per share from 6.7p to 7.3p. And as mark of their continuing confidence, both in the short and longer terms, the directors are lifting the interim dividend from 1.5p to 2p net on capital increased by the rights issue in August. This is partly to reduce disparity.

The group's activities cover sporting and financial services, printing, publishing, advertising and public relations, and computer systems.

Mr Alan Brooker, chairman and chief executive, says the rights issue proceeds are being invested in new equipment for betting shops covered by contracts with subscribers. This anticipates a change in legislation to allow television in betting shops next year.

The return from sports services was down slightly, as predicted, because of development costs and increased depreciation.

Rationalisation of Digital Microsystems is nearly complete, he says, and the company is trading profitably. It had a slow start to the year, in keeping with the electronics industry.

Profits from Burrups Printing Group moved ahead again. The acquisition of Cripplegate Printing and its associates, with their advanced web printing capabilities, will give Burrups new opportunities.

On the other businesses, Mr Brooker says they performed satisfactorily.

The outlook for the remainder of the year is good, he adds.

Turnover in the six months rose from £83.49m to £89.9m, while the profit fell from £5.66m to £5.23m before lower net interest charges £210,000 (£421,000). Tax takes £2.2m (£2.78m) and the interim dividend absorbs £851,000 (£527,000).

For the year ended March 31 1985 the group made a pre-tax profit of £10.9m and paid a total dividend of 6.75p.

● comment

Thanks to the presence of Dr Ashraf Marwan on the share register, Extel's share price retains its fanciful rating despite the disappointing interims where the analysts had been looking for something like £6m to £7m pre-tax. The reason for the setback is that development costs and increased depreciation on sports services hit the profits. That, however, is hardly a surprise and full year targets have to be lowered to around £12m against £10.9m which is not an inspiring growth rate given that there could be nearly £1m of interest savings following the rights issue. The star of the first half was Burrups printing but the second half could be slower and the postponement of TSB's flotation must be a blow. As for sports, the hefty capital expenditure on colour monitors may enhance earnings a little but the increased competition from a consortium (which includes major Extel customers) funding a £40m development of an alternative racing news service bodes ill for profits a couple of years out. At 335p, down 13p, a p/e of 19 is justified purely on grounds of bid speculation. Dr Marwan may well want to sell—but does anybody want to buy?

EMAP climbs 37% midway

SIGNIFICANT increases in profit from publishing and exhibition activities have helped the EMAP group to boost its overall pre-tax balance by 37 per cent, from £3.09m to £4.24m, in the 28 weeks ended October 12 1985.

The directors remain confident that growth will continue. They point out that the interim result includes several of the operations coming into profit which were in the development stage a year ago; so the current year's profit is likely to be more evenly distributed between the first and second halves. In the second half of last year the group made £4.63m.

The group, based in Peterborough and formerly known as East Midland Allied Press, publishes and prints magazines and local newspapers, and runs electronic publishing and exhibition operations. In October 1984 it acquired Maclaren Publishers and the 1984 interim figures have been adjusted to include that.

This year's results include the retail agency and specialist card business (Readwell & Gallery Cards) and Beyond Software, which were sold on September 30 and August 16 respectively.

The results of both transactions are not yet finally determined and will be accounted for in the full year accounts.

Proceeds from the sale of Readwell are on deposit pending investment in publishing activities. The directors say they are active in their search for suitable acquisitions and are continuing to invest heavily in launches of magazines, newspapers and exhibitions.

They report that contract printing continues to be the toughest sector, with some over capacity still remaining particularly magazine printing.

Turnover in the 28 weeks advanced from £46.8m to £54.9m, and gross profit rose to £12.64m (£11.1m). Interest payable was cut to £42,000 (£109,000).

Tax takes £1.78m (£1.3m) to leave the net profit at £2.46m (£1.78m) for earnings of 4p per share (2.9p). The interim dividend is stepped up to 1.2p net (0.95p).

● comment

The October 1984 acquisition of Maclaren, which has a solid hold in the trade magazine publishing sub-sector, should see a better balanced performance by EMAP across the year. The strong half on half rise being reported will not be repeated in the closing six months and the forecasts are for pre-tax profits of £8.8m for the year. The Maclaren purchase also confirms the group's transition into predominantly a magazine, rather than a provincial newspaper, publisher. Among its titles, EMAP continues to enjoy great success with "Smash Hits" (500,000 copies a fortnight) and with "Just 17" (250,000 a week). Computer publications, especially the consumer kind, have mirrored the sufferings of the home computer market. But EMAP's emphasis on business machine-related publications or on being the publisher of the best-selling fanzine for the Sinclair and Commodore end of the market has stood it in good stead. Although there have been five exploratory approaches made to EMAP, there is no wish to sell and any purchase would not be cheap given a prospective rating of 20 at 167p (and a 42 per cent tax charge).

Hunter Saphir ahead 23%

Hunter Saphir, fresh produce distribution group quoted on the USM, has recovered from its setback in the second half of 1984-1985 when pre-tax profits were only £203,000. In the 28 weeks to September 12 1985 it has made £1.2m before tax, a 23 per cent rise on the £963,000 recorded in the comparable period of last year. The improvement was achieved in spite of the poor summer weather which the directors say affected adversely crops and retail sales.

The poor return in the second half of last year was the result of the harsh winter and sterling's decline against the dollar, which the directors felt were exceptional causes.

This year's improvement in group trading has continued into the second half and the directors see no reason to doubt an encouraging result for the full year. The progress seen indicates that it is benefiting from its policy of creating a broadly based food and distribution business. Two major customers are Marks and Spencer and J. Sainsbury.

An interim dividend of 0.85p is declared, up from 0.7p last year.

Group turnover in the first half rose nearly 12 per cent from £38.07m last year to £42.59m. Operating profit was £1.09m (£880,000). After tax of £417,000 (£337,000) net profit was £773,000 (£626,000). Earnings per share were 4.99p (4.27p) before an extraordinary debit of £117,000 (£57,000).

The fruit division of the Hunter Produce subsidiary achieved a marked increase in turnover and margins in spite of a general downturn and price weakening for the commodity of between 20 and 25 per cent.

The depot acquired from Ocean Transport and Trading at London Colney has since September been integrated into this division's operations.

Harvard seeks full listing

Harvard Securities, the leading over-the-counter share dealer, expects to obtain a full Stock Exchange listing next month.

Harvard's shares are already traded by five other over-the-counter dealers, but the company hopes for a SE introduction on December 9.

The move to a full listing is expected to precipitate action from Harvard against Rights and Issues Investment Trust, in which it has disclosed a 15.56 per cent stake. Harvard is understood to have entered the market yesterday looking for a further 10 per cent at up to 118p.

A full bid would meet firm resistance, however. Over 40 per cent of the equity is held by clients of Greene & Co, the London stockbrokers. Mr Simon Knott, the Rights and Issues chairman, is a partner of Greene & Co.

Harvard's move towards a full listing follows a reduction in the stake held by Mr Morton Glickman, woh founded the company in 1973. Mr Glickman has sold 5.2m shares, cutting his holding to 2m shares (6.66 per cent).

The New York investment banker D. H. Blair has bought 5m shares (16.66 per cent), Harvard announced yesterday.

A Stock Exchange listing would be a mark of reconciliation for Harvard, which five years ago sued the entire Stock Exchange council, claiming restrictive practices and libel.

Harvard sought a full listing in 1983, but its plans weer delayed by a lawsuit with Petroleum Mining Company.

Harvard raised £2.1m with its over-the-counter issue in October 1984. Its share price has fallen since the issue, and the company is now capitalised at around £8m.

GENERAL Stockholders Investment Trust net asset value per 12.5p share rose to 174.6p (172.5p), prior charges at par, as at the year end October 31 1985, and 179.3p (177.4) prior charges at market value. After tax of £311,000 (£250,000) earnings are shown as 3.59p (2.37p) while the interim dividend is boosted to 3.15p, against 2.35p.

Infrared turns in £243,000

Infrared Associates, the US-based high-technology company which joined the USM in September, made pre-tax profits of $347,000 (£243,000) in the half year to August 31 1985.

The directors remain confident of achieving the forecast made in the placing document of not less than $750,000 for the year.

The proceeds of the placing were received after the half year and consequently had no effect on the result. In the 12 months to February 28 1985, the company turned in $314,000 taxable profits, struck after directors bonuses of $101,000.

Turnover for the half year amounted to $1.29m ($2.1m for 12 months). The directors say the upward trend in both order intake and invoiced sales has been sustained, confirming their expectations in the placing document of a strong second half.

Demand in the analytical instrument market has been high. Additional orders have also been received for prototype detectors for military applications and increasing interest is emerging for complex matrix detectors.

No interim dividend is proposed. The directors expect to recommend a final of 2.15 cents gross—to be paid in July, 1986—as indicated in the placing document.

Tax for the half year took $155,000 (£117,000 for the full year) and stated earnings per share were 3.38 cents (3.47 cents).

Bardon Hill advances 16%

Bardon Hill Group, one of the country's leading suppliers of specialist aggregates, raised first half pre-tax profits from £1.98m to £2.3m, an increase of 16 per cent.

The advance was achieved despite fierce competition and poor weather conditions in the spring and summer.

Turnover for the half year to September 30 totaled £17.83m (£17.39m). The interim dividend is 0.9p (0.82p) net.

Abbott Mead offer to raise £6.6m

AN OFFER for sale of 3.66m shares in **Abbott Mead Vickers**, a fast-growing advertising agency, raising close to £6.6m has been arranged by Hambros Bank and brokers Rowe & Pitman for next week.

The agency was established in 1978 by the three men whose names now grace the company's title and has quickly risen to become the thirteenth largest advertising agency in the UK. According to Media Expenditure Analysis Limited (MEAL), AMV has been the fastest growing agency in the UK in the two year to September 1985.

The directors are forecasting profits of £2.1m for the year ending next month compared to £887,000 in 1984 and £260,000 in 1983. Billings this year will amount to £47.5m.

On a price of 180p a share, the company will be valued at £22.4m—equal to 18.5 times this year's earnings.

Thomas Locker falls to £934,000 at halfway

Thomas Locker (Holdings), the Warrington-based general engineer, reports a 10.8 per cent drop from £1.05m to £934,000 in pre-tax profits for the six months to September 30 1985.

The directors blame the strength of sterling which resulted in only a marginal increase in profits from overseas subsidiaries despite their producing higher sales and profits when expressed in the applicable currency.

They add, however, that the more important factor is the result from the UK activities. Most of the group's home operations showed better profits but Associated Perforators & Weavers has traded at a continuing loss.

Last year's annual report predicted a return to profitability for this company, but this has not occurred because of production problems associated with the introduction of new machinery, combined with difficulties in raltionalisation. It is expected this company will be operating profitably by next March.

The outlook for the remainder of the group is encouraging, say the directors, with ordering levels and order books higher than the previous year. Provided there are no unforeseen circumstances, second-half profits should exceed the first half.

Group turnover improved from £13.8m to £14.4m. Tax was down from £515,000 to £407,000, of which £226,000 (£336,000) was attributed to the UK.

After minorities of £60,000 (£27,000), attributable profits came out at £467,000 (£52,000, which was after an extraordinary charge of £453,000). Dividends absorbed a same-again £150,000, leaving retained profits of £317,000 against losses of £98,000.

The interim dividend is unchanged at 0.375p, and stated earnings per share were lower at 1.17p, against 1.26p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: GT Global Recovery Investment Trust, Intervision Video.

Finals: Associated Heat Services, Epicure, Fulcrum Investment Trust, Kwik Save Discount.

FUTURE DATES

Interims:

Atkins Bros (Hosiery)	Dec 3
Bassett Foods	Nov 26
Blyvooruitzicht Gold Mining	Dec 9
Century Oil	Nov 28
Equity Consort Investment Tst	Dec 4
Erskine House	Nov 29
Ferranti	Dec 5
Greene, King	Dec 13
Pacific Investment Trust	Nov 28
Prontaprint	Nov 25
TR Technology Investment Tst	Nov 26
Transcontinental Services	Nov 27

Finals:

BOC	Dec 4
Carroll Industries	Nov 26
Durban Roodepoort Deep	Dec 9
East Rand Proprietary Mines	Dec 9
Murray Growth Trust	Nov 26

BANK RETURN

BANKING DEPARTMENT	Wednesday November 20 1985	Increase (+) or decrease (—) for week
	£	£
LIABILITIES		
Capital	14,553,000	—
Public Deposits	1,414,547,793	— 621,925,480
Bankers Deposits	830,009,864	+ 32,707,028
Reserve and other Accounts	1,446,906,279	— 87,208,714
	3,706,016,936	— 676,426,166
ASSETS		
Government Securities	612,352,771	+ 31,865,000
Advance & other Accounts	910,965,599	+ 346,669,552
Premises Equipment & other Secs.	2,173,418,262	— 1,057,125,959
Notes	8,851,322	+ 2,162,185
Coin	457,982	+ 4,056
	3,706,016,936	— 676,425,166

ISSUE DEPARTMENT		
	£	£
LIABILITIES		
Notes in circulation	12,041,148,678	+ 37,837,817
Notes in Banking Department	8,851,322	+ 2,162,185
	12,050,000,000	+ 40,000,000
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	1,338,600,247	— 618,597,392
Other Securities	10,700,384,653	+ 658,597,392
	12,050,000,000	+ 40,000,000

Lettings delay and interest hit Estates & Agency

Estates & Agency Holdings has increased its gross rental income from £522,000 to £716,000 in the first half of 1985, but the delay in certain lettings and increased interest charges have hit the pre-tax profit, which is down from £258,000 to £96,000.

The profit includes share of profits, less losses, of associates totalling £30,000 (£101,000).

Gross rentals include some £65,000 from rent reviews, less rental income derived from properties sold, and around £130,000 from the recent investments in Donne House, Edgbaston, and Hutchesontown Shopping Centre, Glasgow.

Adverse factors were the delay in further lettings at 114/116, Charing Cross Road, WC, and a £188,000 increase in interest costs—of this £108,000 relates to new borrowings. Other property outgoings rose by £62,000.

At Charing Cross Road, one floor remains vacant but is under offer. Following completion of this letting, the portfolio will become fully let with the minor exception of certain retail units.

Results for the full year will depend on the movement of interst rates. For the year 1984 the group made a pre-tax profit of £297,000 and paid a 3p dividend.

Mainstream activities and US entry boost Coloroll

Coloroll Group, designer and manufacturer of wallcoverings and soft furnishings, saw its profits before tax surge by 70 per cent from £1.41m to £2.39m in the six months ended September 30 1985.

However, certain changes to the structure of the now-enlarged group have taken place and to enable shareholders to make comparisons between the half-years proforma results have been produced showing pre-tax profits at £2.55m, against £2.18m.

The improved results reflect the continuing strength of the group's mainstream businesses and the benefits derived from entry into the US market following the acquisition of Wallmates.

Trading conditions within Coloroll's main market sectors, traditionally more buoyant in the second six months, remain favourable.

They are continuing to develop the group on a home fashion/home improvement basis, maintaining the geographical concentration of activity in the UK and US.

The acquisition last month of Worley, for £2m in cash and shares, should strengthen the group's position in the wallcoverings market.

The pro-forma results show turnover at £28.04m (£26.55m). The tax charge rose to £888,000 (£870,000).

Coloroll obtained an SE listing in May this year and is paying an interim dividend of 2p net.

B. Elliott back in the red at interim stage

B. Elliott, machine tool group, has suffered a setback in the recovery begun last year when it returned to the black after three years of losses. For the six months to September 30 1985 the group has announced pre-tax losses of £730,000 against profits of £167,000.

The directors consider the setback temporary and expect it to be reversed in the second half. Partly because of this and partly to reduce disparity they are paying a 1p interim dividend, against the nominal 0.1p last time. For 1984-85 a 2p total was paid on profits of £668,000 (£2.78m losses).

In his last statement Mr Mark Russell, the chairman, forecast a disappointing result for the first half, being aware of the dullness of the UK machine tool market, and difficulties to be faced in South Africa. However, he says the directors are confident that the full year results should show an improvement on last year.

The results this time have also been adversely affected, he says, by delays in the shipment of machine tools on order from Butler Newall.

The application engineering and software development for the new generation machines has taken longer than anticipated, the chairman states. This led to a £1m loss, but most of the development is now complete and there should be profits by the end of the year.

Overseas the North American companies are doing well, he says. In South Africa the GIC Group lost £187,000, but the losses have been reduced and an improvement in overall performance is expected in the coming months.

Group turnover fell from £35.64m to £28.87m, and for the six months there was an operating loss of £444,000 (£708,000 profits). After tax of £74,000 (nil), and minorities, attributable losses were £732,000 (£55,000 profits) for losses of 4.25p (0.31p earnings) per share.

Arlen in the black

Arlen, the electrical accessories group, made a small pre-tax profit of £2,230 in the six months to September 30 1985, as against a £148,700 loss last time. Turnover rose slightly from £3.3m to £3.36m.

The group's first-half trading figures are always affected by the low market demand of the summer months. The directors say they believe demand in the trade generally has been even more markedly depressed this year.

However, they expect current year results to show an improvement on last year and progress should continue.

THE PROPERTY MARKET BY MICHAEL CASSELL

Stockley's rubbish tip gets the 'Midas touch'

IT IS SOMETIMES difficult to remember that Stockley, currently one of the property sector's smartest operators, emerged only two years ago from West London's biggest waste tip. The same piece of waste land is now poised to become a pot of gold—or, according to some cynics, the most expensive rubbish dump in town.

Stockley's birth, in November 1983, was accompanied by a 15p-a-share bid for the ill-fated Trust Securities, the property group run by Peter Jones, whose ambitions finally got the better of him.

The fledgling company was after Trust's one and only asset —325 acres of derelict development land close to Heathrow. The plan was to pick up and improve upon Jones' dream of using the site to establish Britain's best business park within sight of the world's busiest international airport.

At the time, there were plenty of people ready to label the land a liability, rather than an asset. There were widespread doubts about the ability of any development company—even one including established and respected names like Stuart Lipton from Greycoat Estates, Elliott Bernerd of Michael Laurie & Partners and Michael Broke from J. Rothschild—to build something successful on millions of cubic yards of rotting domestic waste.

Cynics talked of "heroic assumptions" and questioned the viability of a scheme which could only progress after an immensely costly land reclamation exercise. They also doubted the sense of locating a top-quality business park among the grey, surburban sprawl of Hillingdon, rather than out along the Thames Valley.

But, almost at once, the debate surrounding the project was swamped by a cascade of clever deals which rapidly transformed Stockley into one of the most active and exciting players in the property game. Stockley Park, along with doubts over its chances of success, was pushed on to the sidelines.

Two years and 255m shares later, the energetic and imaginative team has bought itself a respectable asset base and become highly regarded for its dealing and development skills.

The company now stands capitalised at around £180m, against a mere £14.4m when Jones bowed out. At a time when the share prices of most quoted property companies are showing a 20 per cent-plus discount, Stockley has been riding high on a near-30 per cent premium. All this before a penny in rent from Stockley Park.

Within the next few weeks, however, the problematical but potentially highly profitable patch of land which started the Stockley story will again take centre stage.

Stockley's international campaign to tell the world about Stockley Park is about to get off the ground, with a symposium at London's Royal Institution. Lord Young, Secretary for Employment, will be on hand to lend a suitable gravitas to the occasion.

There are those who still remain highly sceptical about the project's prospects but it will soon become clear whether the company's biggest gamble has paid off, helping to boost an earnings performance inevitably diluted by the recent paper chase.

The months of silence over Stockley Park have not been months of inactivity. Work on the site — now expanded to embrace 350 acres — has progressed well, in spite of some appalling weather. The first, advance buildings are up and an international marketing campaign will begin next month.

The developers confidently expect every square foot of office space to be occupied by overseas-based companies, although they are expecting to accommodate medium-sized, "satellite" operations rather than the international headquarters of major groups.

To convert the site into rolling parkland capable of embracing extensive commercial development, Stockley has, in true Capability Brown style, been moving 4.5m cubic yards of dirt, a muckshifting exercise big enough to make way for around 10 kilometres of motorway.

When it is complete, Stockley Park aims to be the largest international business centre of its kind in the UK, with 100 acres of buildings set in 250 acres of landscaped grounds and offering standards of accommodation capable of matching anything available in the best American technology parks.

Stockley plans a minimum 1.5m sq ft commercial floorspace to be developed at a cost of £128m. If the project takes off, it could eventually extend to 2m sq ft or even 2.5m sq ft.

The Universities Superannuation Scheme, originally lined up by Peter Jones, has put up an initial £50m to finance development on the first 500,000 sq ft phase. The pension fund, which has subsequently purchased land for the initial phase and thereby reduced Stockley's own direct exposure, has also provided a £25m debenture loan to cover infrastructure costs for the whole project. Funding for the next stage has not been arranged and neither is it likely to be until the success of the first phase is assured.

The Park will be developed in 500,000 sq ft phases and offices will be erected on a "build one-leave one" basis, giving the occupiers the opportunity to expand on an adjoining site.

Buildings will incorporate the latest in telecommunications technology — they will be connected by fibre optic cables to a satellite earth station — and tenants will be able to take from 2,000 sq ft to 100,000 sq ft. Smaller companies can negotiate three-to-five year leases, although largest tenants will be expected to sign on more traditional terms.

The air-conditioned buildings will be low-rise, providing large areas of uninterrupted floorspace, and they will be developed on a shell-and-core formula, leaving tenants with a range of options for internal layout and finishes. Car parking will be provided for every employee and there will be London telephone numbers to help persuade international tenants that a business address somewhere between Hayes and West Drayton is perfectly respectable.

To complete the Park and the concept, there will be an 18-hole, championship golf course, a "village centre" incorporating shops, a sports hall, a swimming pool, as well as banking and conference facilities.

The job of project managing the Park has gone to Stanhope Securities, Stuart Lipton's private property company. Lipton it is who has taken charge of Stockley Park and Lipton it is who dismisses the critics. "We have got it right. We will be providing a good product in a good location and at a good price."

Given the amount of homework which has gone into the project, anything less than success would certainly be hard to swallow. An unprecedented market research programme has included numerous trips to the US, long exploratory sessions with every potential occupier from Olivetti to IBM and a string of seminars in the stylish setting of London's Reform Club.

Lipton, who sees his scheme as an outstanding piece of urban renewal, claims that Stockley Park will be the first major piece of UK real estate which has been thoroughly researched from start to finish. He believes it will win hands down in any competition with developments taking shape in the most popular locations to the west of London.

"We have spent a long time and a great deal of money in analysing what occupants want. Despite all the talk, most developers still do not seem to understand tenants' requirements. The technical specifications of many buildings are substandard; they may look good but they are a sham."

"The industry still appears incapable of producing what occupiers really want. Now the fashion is to build sheds with 50 per cent office content, leaving tenants to spend a lot of money on upgrading their sheds."

Occupants at Stockley Park will be expected to pay rents in the range of £10 a sq ft to £14.50 a sq ft, depending on the accommodation mix. Lipton emphasises that the land was purchased for "next to nothing" and that, despite the heavy cost of site reclamation, the Park will tick at rents of under £10 a sq ft. Service charges on the energy-efficient accommodation will come in at under £2.50 a sq ft.

Brokers' calculations suggest that average rents of £12 a sq ft on the first ½m sq ft will hand Stockley itself around £12.5m in pure profits. If the first phase works, then the development surplus attributable to company from the entire scheme could, spread over several years, be £50m or more. Failure could leave it with a costly chunk of land, some substantial losses and a nasty dent in its "Midas touch" reputation.

Dean Witter for Victoria Plaza

DEAN WITTER, the securities subsidiary of Sears Roebuck looks set to follow Salomon Brothers, the American financial services group, into Victoria Plaza, the 200,000 sq ft office centre developed by Greycoat London alongside Victoria Station. No details have been announced but Dean Witter is likely to take an entire floor in the Plaza, which could entail up to 50,000 sq ft. The space could be taken on an underlease from Salomon—which has still to spell out the extent of its own commitment to the Plaza but which is expected to occupy the majority of the space—or it could be agreed directly with the landlords.

● Peachey Property, with £30m in the bank from its recent debenture issue, is poised for the next step in its expansion programme. Having digested the Lloyds Bank property portfolio, the company is negotiating to buy another, largely retail package and also has plans for a major retail park in inner London.

● Trencherwood, the fast-expanding commercial and residential developer, has paid over £2.5m for the former Zanussi site in Newbury. Trenchwood will build a new, 43,000 sq ft headquarters on part of the 13 acre site for IAZ, Zanussi's trading arm. The balance will be speculatively developed with high-tech space and the developer is seeking institutional funding for the whole project. Chilvers are agents and discussions are underway with occupants for up to 70,000 sq ft of floor space.

● Norwich Union has, through Richard Ellis, paid around £14m for the freehold interest in 246 and 288 Bishopsgate, City of London. The 61,000 sq ft package was sold by Dron and Wright for Provident Life. Norwich Union has also paid just over £10m for Matheson House and Dorset House, providing 80,000 sq ft of offices in Chelmsford, Essex. Vendors were Matheson Properties, part of Jardine Matheson.

● Hammerson has let Norfolk House, its refurbished, 11,000 sq ft office building in Southampton Place, WC1, to Lombard Odier (UK) at around £18 a sq ft. Baker Harris Saunders acted for Hammerson and J. R. Eve represented the tenant.

● Following Wimpey property's withdrawal, Bromley council, advised by Hillier Parker, is now inviting new proposals for a comprehensive retail, housing and leisure scheme in the town centre. A short list will be drawn up and selected developers will present plans in February.

FT COMMERCIAL LAW REPORTS

Receiver's right to protect chargee's interests

RE POTTER OILS LTD: Chancery Division: Hoffmann J: November 19 1985

WHERE THE chargee of company property exercises his contractual right to appoint a receiver and to specify the terms of his remuneration, the court will not disallow that remuneration on the ground only that the receiver's functions in protecting the chargee's interest duplicate those of the company's liquidator.

Mr Justice Hoffmann so held when dismissing a summons by which the liquidator of Potter Oils Ltd ("the company") sought a declaration that the remuneration and disbursements of a receiver appointed by Lloyds Bowmaker Ltd ("LB"), chargee of company property, were not to be paid out of the proceeds of sale of that property.

Section 371 of the Companies Act 1948 (now section 494 of the 1985 Act) provides: "(1) The court may, on an application . . . by the liquidator of a company, by order fix the amount to be paid by way of remuneration to any . . . receiver . . . of the property of the company. (2) The power . . . shall . . . (a) extend to fixing the remuneration for any period before the making of the order or the application . . ."

HIS LORDSHIP said that the company carried on business maintaining and cleaning oil tanks and processing waste oil products.

For that purpose it bought a highly specialised mobile plant from a French company called Guinard for £250,000. The purchase was partly financed by a loan of £200,000 from LB. In consideration of the loan the company executed a debenture by which repayment was secured by a fixed charge over the plant.

The debenture gave LB power, after the loan became payable, to appoint a receiver of the charged property "upon such terms as to remuneration and otherwise" as it should think fit. The net proceeds of sale were to be applied by him in payment of costs and expenses "including the reasonable remuneration of the receiver not exceeding . . . 5 per cent on the gross amount received by him and all outgoings."

The company took delivery of the plant in March 1983. It was paid the £200,000 loan, but appeared not to have paid it over to Guinard. On November 10, 1983 Guinard issued proceedings against the company, claiming the balance of the purchase price.

On December 6 a petition to wind up the company was presented by a trade creditor. A winding-up order was made on January 23 and a liquidator appointed on February 22.

While the petition was pending the company delivered a defence in the Guinard proceedings alleging that on account of various defects in the plant the sale agreement had become null and void. Guinard sought leave to amend its statement of claim to allege that the defence constituted repudiation of the contract and that it was entitled to recover the plant.

LB was aware of the litigation over the plant and was no doubt concerned that Guinard was seeking repossession of the only asset over which it had a charge. Furthermore, Guinard was not the only claimant to threaten the security. Another company was claiming title to a trailer to which part of the plant had been attached.

LB notified the liquidator's solicitors of its charge over the plant and asked that it should be drawn to the judge's attention on the hearing of Guinard's summons. The solicitors confirmed that LB's "alleged debenture" would be mentioned to the judge, but added that LB must satisfy the liquidator or the court of its validity.

LB decided to appoint a receiver to protect its interests and to assert a right to possession. The receiver immediately instructed solicitors, and later instructed agents to value the plant.

On April 13, the receiver's assistant and the liquidator discussed the question of selling the plant. The liquidator said no decision could be taken until Guinard's application had been heard. He also said that the plant was effectively valueless without the appropriate technological know-how, which was the subject of a patent registered in the company's name. Any attempt to sell the equipment without that, he said, would give rise to an action by him against LB.

Eventually the liquidator, with the receiver's consent sold the plant back to Guinard for £375,000. That was sufficient to pay for the trailer and to leave more than enough to satisfy LB's claim under the debenture. But the liquidator had challenged the whole of the receiver's remuneration (£8,000 plus VAT), and his disbursements in respect of solicitors' fees (£5,162) and the agents who valued the plant (£1,206).

Hence the present summons seeking declarations under section 371 of the Companies Act 1948, that those sums were not to be paid out of the proceeds of sale.

The liquidator conceded that the debenture was binding on the company. It gave LB an unfettered right to appoint a receiver and gave the receiver power to take possession of the plant. It was argued, however, that appointment of the receiver was unnecessary because the liquidator was doing all that could be done to protect the interests of LB and the appointment only caused duplication of effort and needless expense.

There were two answers to that submission. First, LB was contractually entitled to appoint the receiver to protect its own interest. As between LB (by its receiver) and the company, the former had prior right to possession.

The receiver could not exercise his right without leave, since the liquidator was an officer of the court, but he would be entitled to leave as of right (see: *Henry Pound Son & Hutchins (1889) 42 Ch D 402*).

Secondly, LB was justified in thinking that its own interests would be best served by appointment of a receiver. The liquidator said Guinard's claim was bound to fail. That was probably true, but there was no reason why LB should have taken any chance on the company's defences succeeding when it had a cast-iron defence of its own.

The liquidator said it should have been clear to LB that they had identical interests in repelling the claims of Guinard and that he was quite capable of seeing it off without help or interference.

That was not accepted. LB was entitled to take a different view. Also, the liquidator's refusal to admit the validity of LB's debenture, his telling LB it would have to satisfy the court as to its validity, and his threat to sue for patent infringement, could only have confirmed LB's view that it needed to look after itself.

LB was, therefore, contractually entitled to appoint the receiver "on such terms as to remuneration and otherwise as it thought fit."

The effect of section 371 of the Act was to give the court power to interfere retrospectively with the contractual rights of the receiver and mortgagee. The scope of the section was, however, confined to the receiver's remuneration. It conferred no jurisdiction to interfere with his right to indemnity for disbursements. As there was no impropriety in employing the solicitors or agents, there was no basis for challenging their fees.

That left the question whether the court should exercise its power to fix the receiver's remuneration.

The section conferred two separate discretions — as to whether to interfere at all; and as to the amount.

In exercising those discretions the court should bear in mind first, that exercise of the power involved interference with contractual rights in the interests of unsecured creditors.

In *re Greycaine [1946] Ch 269*. 274 Sir Andrew Clerk said in argument that the mischief at which the section *[309 of the 1929 Act]* was aimed was that "unsecured creditors might . . . see the assets frittered away on the agent of the secured creditors."

That description was adopted. It suggested that interference should be confined to cases in which the remuneration could clearly be seen as excessive.

Second the court was ill-equipped to conduct a detailed investigation of receivers' charges on an itemised basis. A judge could not do so without being expensively educated by expert evidence.

Third, the debenture contemplated remuneration calculated as a percentage of the sum realised by the receiver and fixed a maximum greater than the sum claimed. There was nothing to show that either a percentage calculation or the 5 per cent maximum was unreasonable.

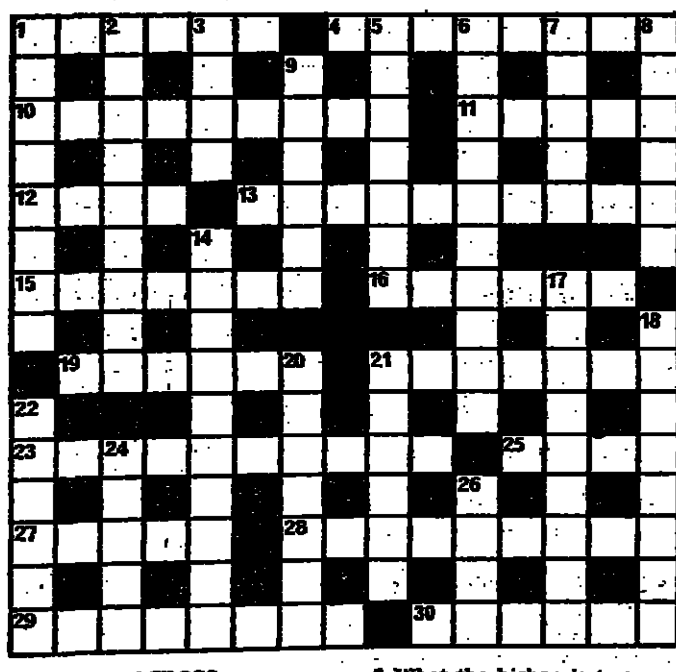
The liquidator's case stood or fell by the proposition that appointment of the receiver and his subsequent participation were unnecessary. That argument having been rejected as based on a misapprehension about the extent of a mortgagee's powers, there were no grounds upon which to exercise the power to fix remuneration under section 371. The summons was dismissed.

For the receiver: Simon Mortimore (David Elton & Wineman).

For the liquidator: Gabriel Moss (Alsop Stevens Bateson Lane-Smith).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,880



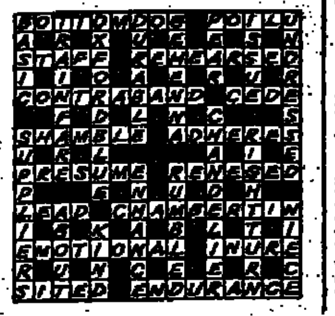
ACROSS

1 A South African doctor in a military aircraft (6)
4 See ship run into rock that's huge (8)
10 Brown cat that is about to retire to the country (9)
11 In front of a church in a communist republic (5)
12 Bill and Elizabeth bring back the port (4)
13 Box containing wood, in the the fifties, used as a torch (10)
15 Heard the clue about the navy egghead? (7)
16 Irene stupidly eats the first tomato whole! (6)
19 Principal way of fastening things together (6)
21 Changed sides when thwarted (7)
23 In search of the retiring doctor, was to come round later (10)
25 Jog backwards or race round (4)
27 To be paid nothing by a soccer player (5)
28 Recommend the use of a bed; peers has collapsed outside (9)
29 Sir, the man going to church is in a muffler (8)
30 "The First Great Star" I have rewritten for nothing (6)

DOWN

1 Under the counter clean out a shellfish (8)
2 After terrible crimes you can't top a villain! (9)
3 Way out film about a soccer team (4)
5 What the bishop is to supervise (7)
6 A cult soon gets upset about one kissing! (10)
7 Support for the injured member? (5)
8 An out-building on a meadow is not new (4-2)
9 Lay outside as many as there are rotten (6)
14 To photograph a large lizard is a bloomer! (10)
17 Reserve some means of transport during the break (9)
18 She's the top woman, on paper (8)
20 Pattern no longer large enough (7)
21 Cue tip badly glued on stick (6)
22 Excellent American first developed foam (6)
24 Turned tail, getting right into trouble (5)
26 Mark races up, pointlessly (4)

Solution to Puzzle No. 5,879



UK APPOINTMENTS

Management company formed by Wimpey

GEORGE WIMPEY has made the following organisational changes. Mr W. R. Martin, currently a director of Wimpey construction UK, now has executive responsibility for business strategy and development, reporting to Mr J. A. Dwyer, managing director, Wimpey Construction UK. Mr Martin's responsibilities extend to all aspects of Wimpey Construction UK's corporate development, including divresification/acquisitions; development of existing and new construction services, and of selected project opportunities. In addition Wimpey Construction Management has been formed within Wimpey Construction UK to focus and direct activities in project and construction management, management contracting, design-and-management and similar contractural arrangements. Mr Dwyer becomes chairman of the new division, with Mr Martin as deputy chairman. The other directors are Mr R. T. Fry (general manager), Mr D. J. Anderson, Mr R. O. Evans, Mr G. L. Read, Mr G. Robertson, and Mr G. M. Slater.

*

Mr Gerald L. Tedder has been appointed deputy chairman of BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT on his taking up further group duties. His successor as managing director will be Mr Norbert Danville, hitherto general manager.

*

Mr Richard Savage has been appointed group financial director of WHEWAY.

*

Mr Kenneth Grange has been appointed consultant design director for the THORN EMI major appliances and Kenwood small appliances businesses. He will continue to be responsible for the industrial design of specific appliances, both electrical and gas. Mr Grange is a founding partner of Pentagram Design. He has been responsible for the design of many Kenwood and Bendix appliances for Thorn EMI as well as a wide variety of other domestic products for Parker, Ronson, Kodak, and Wilkinson Sword. He also undertoook the exterior design of the High Speed Train for British Rail.

*

Professor Cyril Hilsum has been appointed director of research of the GENERAL ELECTRIC COMPANY following the appointment of Mr Derek Roberts as joint deputy managing director (technical). Professor Hilsum joined GEC as chief scientist in 1983, after a distinguished career in Government scientific work.

*

Mr Brian Clayton will be proposed as an executive board member of BRIDON at a board meeting on December 11. He has been a commercial director within the general steels group of the British Steel Corporation since 1984. The intention is that Mr Clayton will also be appointed executive chairman of British Ropes and Bridon Fibres as well as taking line responsibility for certain European subsidiaries of Bridon. These appointments will be effective from January 1. Mr Philip Walker, currently marketing director of British Ropes, will be appointed managing director. Mr Arthur Boyce, managing director of British Ropes, has left the company.

*

SABIN, BACON, WHITE & CO., stockbrokers, has admitted Mr Colin S. Kettle to the partnership.

*

Mr D. J. K. McKay, a director of W. I. Carr, Sons & Co (Overseas) Holdings, has been appointed an executive director of EXCO INTERNATIONAL, and Mr Michael Johns, managing partner of Withers, a non-executive director.

*

Mr Graham Miller has been appointed technical director of CATNIC COMPONENTS, Caerphilly. He has been technical manager since 1982.

*

Mr Roy Gibson has resigned as a director of General Technology Systems to become director-general of the BRITISH NATIONAL SPACE CENTRE.

*

Sir Patrick Sergeant has been appointed chairman of EUROMONEY PUBLICATIONS, and Mr Padraic Fallon has been appointed managing director. Sir Patrick is a director of *Daily Mail* and General Trust, and Mr Fallon is a director of Associated Newspapers Holdings. Mr C. J. Sinclair also becomes a director of Euromoney Publications, while Mr P. S. Gaunt has been made company secretary.

*

Midland makes changes at Crocker

Mr John G. Harris, executive director, MIDLAND BANK, and senior vice chairman since February 1984 of Midland's wholly-owned subsidiaries, Crocker National Corporation and Crocker National Bank, is returning to the UK to assume responsibility, from January 1, for the direction and control of group management services and the co-ordination of the group's systems policy. He will also be responsible for head office administration, including the control of key group premises.

Mr Michael F. Julien, director, group finance and administration, has been appointed to the boards of Crocker National Corporation and Crocker National Bank in place of Mr Harris. Mr Julien will continue to be based in London.

Mr Herbert H. Jacobi, executive chairman, Trinkaus & Burkhardt, Midland's investment bank in W. Germany, has been appointed to the boards of Crocker National Corporation and Crocker National Bank in succession to Mr T. Jefferson Cunningham, Midland's senior international adviser, following the completion of Mr Cunningham's role in the integration of Crocker into Midland Bank Group.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg 01-236 3885

International Growth	99.5	106.0		1.40
Income & Growth	45.4	48.4	+0.1	3.00
Special Situations	57.0	60.7	+0.2	1.50
American Growth	26.9	28.6	+0.2	1.80
Japan Growth	34.6	36.8	+0.2	—
European Growth	43.5	46.5		2.80
UK Growth	42.7	45.7	+0.5	0.90
Pacific Growth	32.5	34.8	−0.1	2.20
High Income	29.1	31.1	+0.1	7.40
Practical Income Units	44.1	47.0	+0.1	2.70
Practical Accum. Units	79.3	84.4	+0.1	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	69.4	73.8	+0.3	3.34
Accum Units	102.5	109.0	+0.3	3.34
Pearl Inc.	97.7	103.9	+0.4	4.81
Pearl Unit Tst.	103.5	110.1	+0.5	3.82
(Accum. Units)	174.8	186.0	+0.8	3.82

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

Growth	207.4	222.6	+0.9	1.93
Income	152.4	163.2	−0.9	5.31
Worldwide Recovery	117.6	126.2	+0.5	2.18
American Growth	56.4	60.6	−0.2	1.11
Intl. Emerging Co.	61.2	65.7		0.76
Far East Growth Fd	52.6	56.5	+0.3	1.17

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc	—	50.0		—
Prolific Far East	112.4	119.8	+1.0	0.18
Prolific Extra Inc	68.0	72.1	+0.3	5.52
Prolific Convert & Gilt	84.4	89.5	+0.2	7.01
Prolific High Inc	143.7	152.4	+0.2	4.94
Prolific Intl	87.3	92.9	−0.1	1.63
Prolific N Amer	114.4	121.7	−0.3	2.39
Prolific Spec. Sits	159.6	169.3		1.42
Prolific Technology	97.9	104.1		0.69

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	53.8	57.0	−0.1	0.21
Japan Acc.	53.9	57.1	−0.1	0.21
Worldwide Inc.	53.4	56.6		1.86
Worldwide Acc.	53.9	57.1		1.86
European Tst Inc	61.5	65.1		1.22
European Tst Acc	61.7	65.3		1.22
North American Inc	48.5	51.4	−0.2	2.10
North American Acc	48.5	51.4	−0.2	2.10
UK Equity Inc	55.6	58.9	+0.3	2.95
UK Equity Acc	55.6	58.9	+0.3	2.95

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Holborn Equity Tst	349.8	372.1	+2.1	3.76
Holborn European Trust	56.4	59.9		1.07
Holborn Gilt Tst	157.7	165.0	+0.7	8.02
Holborn High Inc	57.6	61.2	+0.1	6.83
Holborn Intl Growth	69.1	73.5		0.72
Holborn Japanese Trust	53.8	57.2	+0.5	0.06
Holborn N. Amer. Trust	51.9	55.2	+0.1	2.21
Holborn Spec Sits	—	50.0		2.50
Holborn UK Growth	69.0	73.3	+0.3	2.81

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	344.7	366.8		3.66
Quadrant Income	194.0	206.4		5.15
Quadrant Intl. Fund	311.3	327.7		1.47
Quadrant Spec. Sits.	210.1	223.6		2.57

Reed Stenhouse Inv Services Ltd
145 Borough High St, London SE1 1NV 01-628 6011

Wellington Inc	55.0	58.5	+0.1	6.00
Wellington Growth	112.8	120.0		2.00

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 22271

British Life	141.7	152.4	+0.4	3.91
Reliance Unit Tst (Inc)	90.9	97.1		3.42
Reliance Un Tst (Acc)	119.3	124.5		3.42

Ridgefield Management Ltd
35 Fountain St, Manchester M2 2AF 061-236 5685

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	233.2	246.7		3.88
Equity Acc.*	281.2	297.5		3.88
Fixed Int. Dist.†	114.6	118.7		11.39
Fixed Int. Acc.†	168.0	174.0		11.39

*Prices on Nov 18. Next dealing Dec 11
†Prices on Nov 18. Next dealing Dec 4

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	94.4	100.5	−0.4	1.37
Do. Accum.	98.3	104.6	−0.5	1.37
TSB Extra Income	90.8	96.7	+0.2	5.86
Do. Accum.	104.6	111.3	+0.3	5.86
TSB General	132.7	141.1	+0.8	3.12
Do. Accum.	214.9	228.6	+1.5	3.12
TSB Gilt & Fxd Int	47.0	49.0	+0.1	9.13
Do. Accum.	59.0	61.5	+0.2	9.13
TSB Income	181.8	193.5	+0.8	4.63
Do. Accum.	274.3	291.9	+1.0	4.63
TSB Pacific	108.1	115.1	+0.2	0.62
Do. Accum.	110.9	118.0	+0.2	0.62
TSB International	240.2	255.6	−0.5	2.01
Do. Accum	294.8	313.7	−0.6	2.01
TSB Natural Resources	42.2	44.9	−0.1	1.89
Do. Accum	43.0	45.8	−0.1	1.89
TSB Sitns. Opps.	49.7	52.9	+0.2	2.16
Do. Accum.	54.0	57.5	+0.2	2.16

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP 01-928 3356

Small Co's Fund	65.3	69.4	−0.1	0.10

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks (0296) 5941

American Eagle	66.9	71.5	−0.1	0.40
Australia	29.4	31.4	−0.4	0.10
Commodity	79.0	84.9	+0.1	2.74
Energy	38.5	41.2	+0.2	2.49
Equity	110.3	117.7	+0.6	3.15
European Spec. Sits.	65.6	70.2	−0.1	0.63
Extra Income	94.8	100.4		7.12
Financial	222.4	237.2	+1.2	2.14
Gilt Income	99.1	103.8	+0.3	8.63
Gold Income	51.1	54.7	+0.5	2.28
Gold Acc.	93.0	99.5	+0.9	2.28
Income	68.4	73.6	+0.2	5.60
Japan	51.5	54.9	+0.9	0.10
Malaysia & Singapore	21.9	23.4	−0.5	1.45
Pacific Income	65.1	69.6	+0.4	0.10
Pacific Re Inv	79.8	85.3	+0.4	0.10
Preference Share	16.4	17.7	—	9.88
Special Sits	75.9	83.0	−0.5	0.90
Technology	39.3	42.0	−0.4	0.10
UK Capital	54.8	58.5	+0.1	2.07
World Income Fund	47.0	50.3	−0.5	6.60
Worldwide Capital	117.8	125.6	+0.5	1.98
Equity Exempt Nov 19	66.4	71.6		2.15
Equity Ex Acc Nov 19	124.0	132.3		2.15

Touche, Remnant Unit Trust Mngt Ltd
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250

TR American Growth	28.4	30.6		0.99
TR General Growth	45.2	48.7	+0.2	2.98
TR Global Tech	29.7	32.0	+0.1	0.1
TR Income Growth	50.4	54.3	+0.1	4.94
TR Income Monthly	41.7	44.4		7.12
TR Japan Growth	24.6	26.2	+0.3	0.18
TR Overseas Growth	33.4	35.7	+0.1	1.62
TR Smaller Cos.	47.2	50.3	+0.1	2.09
TR Special Ops	50.5	54.1		1.90

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-628 8011

TUUT Nov 1	143.5	151.1		3.64

Transatlantic and Gen. Secs. (c) (y)
91-99 New London Rd, Chelmsford 0245-51651

Colmeco Nov 11	378.6	395.8		4.21
(Accum. Units)	617.5	645.5		4.21
Fielding Fd Nov 14	209.8	220.9	+0.5	3.54

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int. Dep. Acc.	210.3	221.4	+0.5	—
Equity Acc.	543.9	572.6	+2.9	—
Property Acc	307.3	323.5	+0.1	—
Far East Acc.	104.4	109.9	−0.4	—
Managed Cap.	281.2	296.1	+1.1	—
Managed Acc.	446.3	469.8	+1.7	—
O'seas Earnings Acc.	357.1	375.9	+2.6	—
Gilt Edged Acc.	244.0	256.9	+0.3	—
American Equity Acc.	309.1	325.4	+1.7	—
American Man Acc.	151.7	159.7	+0.6	—
American Prop Acc	121.5	127.9	+0.4	—
Pen. F.I. Dep. Cap	231.0	243.2		—
Pen. F.I. Dep. Acc.	349.4	367.8		—
Pen. Prop. Cap.	372.6	392.3		—
Pen. Prop. Acc.	622.5	655.3		—
Pen. Man. Cap.	559.4	589.4		—
Pen. Man. Acc	934.4	983.6		—
Pen Gilt Edg. Cap	251.3	264.6		—
Pen. Gilt Edg. Acc.	342.8	360.9		—
Pen. Eq. Cap.	886.0	932.7		—
Pen. Eq. Acc.	1120.6	1179.6		—
Pen. Am. Eq Cap.	119.7	126.0		—
Pen. Am. Eq Acc.	127.5	134.3		—
Pen. Far East Cap.	116.9	123.1		—
Pen. Far East Acc.	124.7	131.3		—
Pen. B.S. Cap	242.2	254.4		—
Pen. B.S. Acc.	356.6	374.5		—
Pen. D.A.F. Cap.	194.5	194.5		—
Pen. D.A.F. Acc.	255.0	255.0		—
Pen. Mortgage Cap	109.1	114.9		—
Pen. Mortgage Acc	116.4	122.6		—

Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

Equity Fd Acc	107.4	113.1		—
Equity Fd Cap.	101.0	136.4		—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE 01-242 0282

Life Funds

Managed Fund	498.0	524.2		—
Equity Fund	572.7	602.8		—
International Fund	187.5	197.3		—
Fixed Interest Fund	166.7	175.4		—
Property Fund	120.2	126.5		—
Index Linked Fund	108.7	116.4		—
Cash Deposit Fund	120.6	126.9		—
PIP Fund		1,561.2		—

Individual Pension Funds

Personal Pen. Managed	298.7	314.4		—
Staffguard Managed Pen.	298.7	314.4		—

Group Pension Funds

Group Mixed Pension		808.1	+13.4	—
Equity Pension		1,317.4	+21.3	—
International Pension		253.9	15.1	—
Fixed Interest Pension		627.4	−4.6	—
Property Pension		480.5	+9.8	—
Index Linked Pension		118.1	+1.3	—
Cash Deposit Pension		162.0	+0.7	—

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN 01-680 5225

Equity Acc.	258.4	272.0	+0.8	—
Property Acc	245.5	258.5	+0.8	—
Int Acc	176.0	185.3	+5.6	—
Managed Acc	222.5	234.3	+3.1	—
Spec Sits Acc.	189.8	199.8	+2.1	—
Investment Tst Acc	110.2	116.0	+0.7	—
Pen Int Acc.	185.3	195.1	+4.3	—
Pen Prop Acc.	314.5	331.1	+0.8	—
Pens Equity Acc	390.8	411.4	+2.2	—
Pen Mngd Acc.	284.1	299.1	+2.5	—
Pens F & C Man Acc.	108.2	113.9	+2.1	—
Pens Inv Trust Acc.	129.5	136.4	+0.9	—

Prices for other funds available on 01-377 8682

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

♦Equity Fd Nov 20	202.5	213.5	+2.0	

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

World Wide Growth Management

10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$14.13			—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA

10A Boulevard Royal, Luxembourg

Advanced Tech	$11.67		+0.19	—
Dynamic Gwth Fd	$10.54		+0.10	—

Zero Bond Fund Limited

PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.11	10.72		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.10		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.62	8.65	12.79	6mth
7-day Fnd	11.60	8.67	12.72	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	10.98	8.21	11.97	6-Mth
7-day Fund	11.04	8.25	12.03	6-Mth
Dollar	7.00	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc	11.00	8.00	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.00	8.22	12.13	Qtr
Mth. Int. Chq.	11.000	8.22	12.10	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	11.50	8.60	12.78	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.00	8.22	12.10	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.00	8.22	12.2	Qtr

Britannia Investment Services Ltd.

OFFSHORE AND OVERSEAS

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Industrials

COMMODITIES AND AGRICULTURE

Thailand plans further tax relief to cut cost of tin production

BY BOONSONG K'THANA IN BANGKOK

AS THE International Tin Council's efforts to tackle the crisis that has paralysed the world tin market appear fruitless, Thailand, the world's third largest producer, is coming up with measures of its own to rescue the country's ailing industry.

Thai authorities have already adopted a major rescue package including a much-sought-after cut in royalty and taxes to enable the local industry to cope with the current crisis and the expected falling prices.

The Thai Cabinet on Tuesday partially approved the rescue package and is due to consider the remaining measures next Monday.

Last Monday, the cabinet decided to lift a 20-year-old ban on exports of tin concentrate to liberalise tin trading. At the same time, it agreed to waive a special mining fee equal to 5 per cent of the royalty rate to ease high production costs faced by tin miners.

On Monday, it is expected to endorse a call from the Mining Industry Council, the country's largest mining group, for reduction of the royalty—the highest among the Asean countries at about 20 per cent of reference tin prices—and to waive a 4.4 per cent business and municipal tax.

It is not likely, however, to approve an appeal to waive a requirement for miners to contribute 240 baht ($9.12) per picul (60 kg) of tin produced to the ITC's buffer stock fund under the 5th and 6th International Tin Agreements, according to Department of Mineral Resources' director general Sivavong Changkasiri.

Thai miners have long sought removal of these levies to alleviate their high production costs. They insist that the Government must act promptly on their appeals if Thailand is to compete with other producers in the tin market.

The Thai Council has warned the Government that if nothing is done on the levy structure, the country's tin industry will have great difficulty in surviving falling prices worldwide.

If the tin price fell to M$19.50 a kg from about M$29.50 before the trading on the London Metal Exchange (LME) and Kuala Lumpur Tin Market (KLTM) was suspended on October 24, some 585 of the country's 629 mines would be driven out of business and over 31,000 of 32,796 workers employed by the industry would be out of a job, industry leaders claim.

Production would plunge to only 855 tonnes a year from 41,940 tonnes, they say. And foreign exchange earnings from tin exports would drop to 127m baht a year from the 9.67 bn baht a year from the 9.67bn

ITC's export controls on producing member states have already taken their toll on Thailand which depends heavily on tin for export revenue.

Exports of Thai tin declined from 33,445 tonnes in 1980 to 18,332 tonnes in 1984 and in terms of value, from 14,934m baht to 7,030m baht. But tin was still the country's seventh largest foreign exchange earner last year.

Much of Thailand's tin concentrate production has been illegally exported by sea from the country's southern region, where hte bulk of the tin is produced. The high royalty charge and the ITC's export controls are blamed for stimulating the smuggling which also contributed to the decline in the world's tin prices.

The actual volume of tin smuggled, mostly through Singapore, is difficult to establish, but an idea of the scale of the problem is given by the fact that a total of 621.3 tonnes of illegal tin was confiscated by Thai officials in the first nine months of this year.

Export controls and high production costs over the past few years have already forced Thai mines to operate at 60 per cent of capacity.

The number of mines in the country decreased from 734 in 1983 to 629 at present. Employment in the industry has also plunged from 49,167 in 1983 to 32,796.

MALAYSIAN Prime Minister Mr Mahatir Mohamad has asked China to join the International Tin Council or cut its tin production to help support prices, according to officials with Mr Mahatir's delegation visiting Peking, Reuter reports.

The Chinese Premier, Zhao Ziyang, is reported to have replied that China was not a major producer of tin, but added that it supported commodity pacts like the International Tin Agreement.

Last month China said it wanted stable and higher prices for its tin exports.

Customs figures show China exported 300 tonnes of tin and tin alloy in the first three months of this year, down from 511 tonnes in the same period last year. The 1984 export total was 2,461 tonnes.

LME expected to continue suspension

BY STEFAN WAGSTYL

THE London Metal Exchange looks likely to decide today to continue with its suspension of tin trading to give the International Tin Council more time to try to resolve the crisis in the market.

The Board and committee of the LME, the world's leading metals market, is expected to extend the suspension for up to another two weeks, until December 6. The tin council resumes its emergency meeting on December 2 and has pledged to stay in session until it reaches a "definitive decision" on honouring its debts to bankers and LME brokers.

Tin trading has been suspended since October 24, when the ITC, which runs a price pact between producer and consumer countries, announced that it had run out of money for supporting prices.

Mr Michael Brown, LME chief executive, welcomed the tin council's intention to make a definitive decision on the crisis. But LME officials and traders were disappointed that they would have to wait until at least December 2 for that decision.

The group of 16 creditor banks which have lent some £350m to the tin council said they "noted with concern that the ITC had met for the third week running without reaching any substantive conclusions."

The creditor banks wanted a "full, early and constructive dialogue" with the ITC.

The banks, led by Standard Chartered Bank, and LME officials are expected to discuss the details of a £900m rescue plan for the tin council. The sum covers the worst possible circumstances

But the proposals can only take effect if the tin council's 22-member governments accept their responsibility for the ITC's debts— so far only the UK has made such a pledge.

The UK, with the interests of the LME at heart is continuing to apply diplomatic pressure on its fellow members, Yesterday Mr Paul Channon, the Trade Minister, met Mr Brown and Jacques Lion, LME Board chairman, to discuss the latest developments.

The crisis in the international tin market has claimed its first job losses in the Cornish mining industry.

MedTin, a privately-owned company which extracts tin from old mine waste at Brea near Cambourne, has called a temporary halt to its operations.

Some of the workforce of 35 have been made redundant and others have been laid off temporarily. Mr Paul Marriott, chairman, would not say how many staff were involved.

The company, which produced over 150 tonnes of tin last year, was not in financial difficulties, he said. It could restart tin extraction when tin trading, which has been suspended since October 24, was resumed and a new price for tin was set.

However, it was possible that the temporary shut-down might become permanent, if tin prices fell so far that production became unprofitable, said Mr Marriott. Tin producers round the world were already shutting down. "We might be in the same boat," he added.

● Lonconex, the metals trader, has asked up to point out that has asked us to point out that it has withdrawn its traders from the floor of the London Metal Exchange in advance of withdrawing from the ring at the end of the year. It plans to apply for non-ring dealing membership.

NFU backs quotas to cut cereals overproduction

BY ANDREW GOWERS

'RITISH FARM leaders yester- ıy swung their support behind 'oduction quotas as a means curbing the EEC's growing ain surplus, brushing aside a rect appeal not to do so from r Frans Andriessen, the Com- unity's farm commissioner.

At a meeting in London yes- rday, the ruling council of e National Farmers' Union so clashed with Mr Andriessen er his proposals for tackling er-production of cereals, hich focus on the introduction f a coresponsibility levy, or x on producers and con- mers.

And as expected, Sir Richard ıtler, the Union's president r the last seven years, nounced his intention to step wn next February. "I think 's time someone else had a ." he said.

The NFU council agreed to give further consideration to quotas before adopting a comprehensive policy package at its January meeting. Although a final decision has yet to be taken, a form of quotas—for wheat and possibly barley as well—now seems certain to constitute the centrepiece of the Union's favoured approach to the cereals surplus. Up to now its public position has been to argue for price restraint and protection against imports of cereal substitutes.

Mr Andriessen told the farmers:

"My view is that quotas are not a good solution. My objection is not so much the practical difficulties, though these could be severe. It is rather the long-term implications." But he added that he did not reject any such ideas out of hand.

The NFU is advocating a flexible one-year quota, which it prefers to call a "licence to grow," coupled with a requirement that farmers agree to lay some of their land fallow

Mr Andriessen sought to scotch suggestions from the NFU that the package of cereals measures he proposed last week discriminated against Britain.

Senate breaks deadlock over US Farm Bill

BY NANCY DUNN IN WASHINGTON

THE US Senate has broken a long-time deadlock over commodity price supports in the 1985 Farm Bill by deciding to send a House-Senate conference committee a complex, multiple-choice Bill giving something to almost everyone.

The Administration got something that it wanted from the Bill in the form of lower loan rates, which US Department of Agriculture officials say will make US food exports more competitive.

The White House also wanted a cheaper Bill. Under the measure, strung together by majority leader Mr Robert Dole in days of backroom negotiations, the farm package is estimated to cost about $12bn less over three years than the Bill passed out of the Senate agriculture committee. The House-Senate budget resolution passed last summer puts a $35bn cost cap on commodity supports—the current version of the Bill is calculated to cost more than $50bn.

Cost estimates must be vague, however, because they depend on several uncertainties. The wheat support programme for example, links the cost of the subsidies to the number of acres farmers choose to take out of production.

Farm groups pushed for a continuation of grain subsidies at their current levels over the next four years. The House gave it to them for two years. The Senate, unable to decide, gave them a one year freeze on subsidy levels or a four-year freeze, leaving it to the conference committee to work out a compromise.

● The implications raised by the Senate vote sent nervous shudders through the Chicago grain markets yesterday, triggering a wave of selling, reports Reuter from Chicago.

Soyabean prices sank to new contract lows at the opening Soya oil futures also reached new contract lows, and soyameal, wheat and maize all registered significant losses.

EEC pays for rising cost of rapeseed oil exports

BY JOHN BUCKLEY

MORE AND more of Europe's bumper rapeseed crops are finding their way onto world markets in the form of vegetable oil for both cooking and fabrication—but the cost of expansion has been enormous, trade and official data reveal.

In the first eight months of 1985—France (the biggest rapeseed producer in the Community) has managed to expand oil exports by 57 per cent to over 170,000 tonnes, while West German shipments have soared 41 per cent to 223,500. Even Belgium has jumped on to the bandwagon, raising sales to 73,500 from just 14,500 in the first eight months of 1984.

Some of this trade has been intra-EEC, a sign of the Community's increasing self-supply and of the complex, but surprisingly fluid, cross-border economies of crushing. However, of far more significance is the quantity moving into third country markets, prosing a provocative challenge to the more traditional vegetable oils.

It is clear that resistance to rape seed oil's unfamiliarity is rapidly being broken down by the EEC's sales drive, which has reaped by far its biggest success in the countries scattered round the southern Mediterranean basin. These historical markets for US soyabean oil have proved increasingly willing to experiment with other so-called "soft" liquid vegetable oils and with the new palm oils and olein products. However, at a time of increasingly tight credit and bloated world supply of rival oils, price has become the key in the battle for sales. In this respect, rapeseed oil has shown itself more than equal to its competitors.

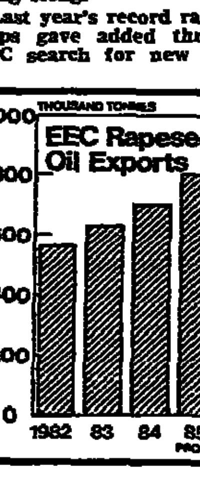
Algeria alone has almost doubled imports of EEC rape seed oil in January/August, at some 83,000 tonnes and is reported to have booked another 60,000 for shipment by the end of this year. Morocco, which bought 21,000 tonnes of French rapeseed oil in the same period (compared with just 6,000 a year earlier) has also made a series of purchasing forays for optional origin soya/rape oil. This enables suppliers to ship whichever oil is most easily and/or cheaply available and has already accounted for 30,000 tonnes in current season and another 33,000 booked as far forward as 1986/87 (starting next July).

Another 30,000 tonnes of EEC rape seed oil will also go to Morocco under a separate transaction before January 1986.

Exporters have also looked further afield and up to 50,000 tonnes of EEC rapeseed oiol is now believed to have been sold to India—one of the most price-conscious and hotly contested markets of all.

Smaller deals have been struck with countries such as Senegal and Tunisia and even Hong Kong.

Last year's record rapeseed crops gave added thrust to EEC search for new export



markets which has shown no signs yet of slowing after this year's slightly smaller harvest. However, the environment within which rapeseed crushers are operating has become far more harsh, augering ill for the future.

Rapeseed, for example, has recently cost processors upwards of £15 more per tonne than at this time last year while the value of the oil content has plunged to around £310 from the £640 per tonne ruling last spring.

Winter feeding demand has added a mere £20 to meal value and only massive subsidy from Brussels—£160 per tonne and more—has enabled crushers to scrape a profit on their estimated £30 per tonne plant running costs.

Meanwhile, rapeseed's expansion has started to make a splash in the UK market where the first pure bottled rape seed oils are estimated to have taken up to 60 per cent of grocery chain sales. But this has not been without its hidden cost to the consumer. As one merchant points out, "this time last year, crushers needed only £70 per tonne to produce the oil because the world market was propped up by palm and soya shortages. Who's going to pick up the tab for the present level of crush aid?"

With another record area (up 3 per cent) believed to be in the ground for 1986 crop, UK farmers show no signs of responding to the product market which is hardly surprising since the crop still presents a good return per hectare. How long that can continue may be questionable. Record EEC crops and record levels of subsidy make a bad combination and the cost of supporting the EEC's rapeseed regime and its new oil export role seems likely to come under increasing scrutiny by the European Commission.

LONDON MARKETS

LONDON'S cocoa futures market perked up somewhat yesterday with the March quotation adding £25.50 to Wednesday's £8.50 rise at £1,704.50 a tonne. Dealers attributed the rise to follow-through from a firm trend in the New York market coupled with improved physical demand and less optimistic projections for Ivory Coast production. In contrast coffee futures lost much of Wednesday's strong gains with the January position ending £22 down at £1,901.50 a tonne. The fall was seen as a technical reaction following the failure of the market to break through overhead resistance after a rise based on continuing anxiety about next year's Brazilian crop prospects following this year's four-month drought, which broke nearly three weeks ago. The continuing tin crisis continued to dampen enthusiasm on the London Metal Exchange and prices were generally little changed in thin trading. The copper market was moderately active in the morning as early currency-induced losses were partly recouped following the emergence of some buying interest. Cash higher grade copper closed £3.75 lower on balance at £941.75 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	666-7	+6.75	666/660
3 months	689.5-90	+6.25	694/683

Official closing (am): Cash 660-.5 (659-.5), three month 683-4 (682.5-3), settlement 660.5 (659.5). Final Kerb close: 692.5-93.

Turnover: 17,375 tonnes.

COPPER

LEAD

NICKEL

ZINC

GOLD

SILVER

MEAT

INDICES

MAIN PRICE CHANGES

COCOA

COFFEE

GRAINS

RUBBER

OIL

POTATOES

FREIGHT FUTURES

SOYABEAN MEAL

SUGAR

US MARKETS

PRECIOUS METALS failed to follow through on Wednesday's firm tone as prospects of inflation moving higher might be dashed by efforts to cut the US budget deficit, reports Heinold Commodities. However, underlying support continued to be evident reflecting dollar weakness. Copper and aluminium were supported by arbitrage buying on strength to sterling. Sugar moved sharply higher on concern over damage to the Cuban crop along with good technical buying. Good arbitrage buying along with continuing concerns over the pace of West African shipments firmed cocoa values. Coffee remained firm on technical indications. The energy complex was firm on concern that cold weather in Europe would reduce distillate imports into the US. The soyabean complex traded sharply lower on the passage of the Dole amendment.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	44.15	—	—	43.25
Dec	44.30	44.25	43.45	43.35
Jan	44.70	—	—	43.75
March	45.45	45.45	44.65	44.50
May	46.20	—	—	45.25
July	46.95	46.25	46.25	46.00
Sept	47.70	—	—	46.75
Dec	48.80	—	—	47.85
Jan	49.15	—	—	48.20
March	49.90	—	—	48.95

CHICAGO

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses ground

The dollar finished above the day's lows but down from Wednesday's levels in currency markets yesterday. Early attempts to push it below DM 2.58 met considerable resistance but although recovering, the dollar retained a bearish undertone. For much of the day trading was very quiet and uneventful with dealers already citing the proximity of Christmas as having a dampening effect on volume.

Wednesday's better than expected US third quarter GNP revision came under closer market scrutiny with the outlook for US economic growth for the rest of this year likely to provide a less than encouraging picture, according to some traders. In addition the market remained keeny aware of central banks' determination not to let the dollar appreciate to any great extent. Yesterday's economic statistics failed to provide any real clues with a 0.4 per cent rise in personal income and a 0.9 per cent fall in personal expenditure both in line with expectations.

Additional worries for the dollar came with renewed progress towards balancing the US budget deficit, so putting further downward pressure on interest rates. The dollar closed at DM 2.5930 from DM 2.6115, its lowest level since March 1984. Against the yen it slipped to its worst closing level since January 1981 at Y202.0 compared with Y203.35 on Wednesday. Elsewhere it slipped to SFr 2.1230 from SFr 2.1410 and FFr 7.9025 from FFr 7.9575. On Bank of England figures, the dollar's exchange rate index fell from 128.8 to 128.0.

STERLING — Trading range against the dollar in 1985 is 1.4420 to 1.0525. October average 1.4217. Exchange rate index 79.9 unchanged from Wednesday, having touched a high of 80.2. The six months ago figure was 79.5.

Sterling closed at its best level since March 1984 against the dollar at $1.4415-1.4425, a rise of 85 points from Wednesday. Firmer oil prices and the attraction of high UK interest rates underpinned sterling. It was slightly easier against the D-mark at DM 3.7400 from DM 3.7425 and Y291.25 compared with Y291.50. Against the Swiss franc it eased to SFr 3.06 from SFr 3.07 and FFr 11.3950 from FFr 11.4075.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5930 October average 2.6443. Exchange rate index 127.7 against 121.9 six months ago.

The D-mark drifted from the day's high in Frankfurt yesterday in rather quiet trading. Late commercial demand for the dollar helped to push the US unit up from the lows touched during the morning to a closing level of DM 2.5925 compared with a low of DM 2.5840.

£ IN NEW YORK

	Nov. 21	Prev. close
£ Spot	$1.4403-1.4518	$1.4365-1.4375
1 month	0.43-0.40 pm	0.43-0.41pm
3 months	1.24-1.20pm	1.24-1.22pm
12 months	3.90-3.75 pm	3.85-3.80pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT — FORWARD AGAINST POUND

Nov 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4405-1.4480	1.4415-1.4425	0.44-0.41c pm	3.54	1.24-1.20pm	3.38
Canada	1.9835-1.9960	1.9840-1.9870	0.50-0.40c pm	2.72	1.35-1.22pm	2.59
Nethlnd.	4.19¾-4.21½	4.20½-4.21½	2¼-1⅞c pm	5.88	6-5⅞pm	5.53
Belgium	75.36-75.72	75.46-75.55	22-17c pm	3.10	61-52pm	2.99
Denmark	13.47½-13.51½	13.50½-13.51½	3½-2½ore pm	2.55	8-7pm	2.22
Ireland	1.2070-1.2120	1.2085-1.2105	0.29-0.15p pm	2.18	0.58-0.29pm	1.46
W. Ger.	3.72½-3.74½	3.73½-3.74½	2½-2½pf pm	7.22	6½-6½pm	6.68
Portugal	231½-235½	232½-235½	145-440c dis	−15.00	590-1395dis	−16.97
Spain	229¾-230¼	230-230¼	50-90c dis	−3.65	160-275dis	−3.78
Italy	2519¾-2531	2526-2527	7-12 lire dis	−4.51	16-23dis	−3.09
Norway	11.20¾-11.23¾	11.20¾-11.21¾	¼-¾ore dis	−0.54	2½-2½dis	−0.85
France	11.35½-11.42	11.39-11.40	2⅞-2⅛c pm	2.70	6½-5½pm	2.19
Sweden	11.22-11.24	11.22-11.23	1⅞-2¾ore dis	−2.27	4½-4½dis	−1.80
Japan	290¾-292	290½-291½	1.00-0.80y pm	3.71	2.70-2.50pm	3.57
Austria	26.22-26.31	26.27-26.31	13½-12½gro pm	5.88	37½-33½pm	5.44
Switz.	3.05½-3.06¾	3.05½-3.06½	2½-2½c pm	8.82	5½-5½pm	7.52

Belgian rate is for convertible francs. Financial franc 75.75-75.85. Six-month forward dollar 2.28-2.24c pm, 12-month 3.95-3.80c pm.

DOLLAR SPOT — FORWARD AGAINST DOLLAR

Nov 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4405-1.4490	1.4415-1.4425	0.44-0.41c pm	3.54	1.24-1.20pm	3.38
Ireland†	1.1892-1.1955	1.1923-1.1933	0.22-0.12c pm	1.71	0.70-0.45pm	1.92
Canada	1.3760-1.3785	1.3760-1.3770	0.08-0.11c dis	−0.83	0.25-0.30dis	−0.80
Nethlnd.	2.9080-2.9250	2.9170-2.9180	0.58-0.55c pm	2.33	1.58-1.55pm	2.15
Belgium	52.22-52.42	52.35-52.40	1-2½c dis	−0.40	4-6dis	−0.38
Denmark	9.33½-9.37	9.36½-9.37	½-1ore dis	−0.96	2½-2½dis	−1.07
W. Ger.	2.5840-2.5945	2.5925-2.5935	0.81-0.78pf pm	3.68	2.18-2.13pm	3.33
Portugal	161½-162½	162½-162½	150-350c dis	−18.52	550-1100dis	−20.37
Spain	159.20-159.65	159.35-159.50	70-110c dis	−6.77	245-315dis	−7.02
Italy	1748-1752½	1751½-1752½	11½-12 lire dis	−7.97	28-29dis	−6.51
Norway	7.76½-7.80½	7.77-7.77½	2½-3ore dis	−4.23	8-8½dis	−4.23
France	7.88-7.91	7.90-7.90½	0.50-0.60c dis	−0.84	2.25-2.50dis	−1.20
Sweden	7.77-7.80½	7.78½-7.78½	3½-4ore dis	−5.77	9½-10dis	−5.00
Japan	201.50-202.18	201.95-202.05	0.02y pm-0.01dis	−0.03	0.10-0.05pm	0.15
Austria	18.17-18.23½	18.19-18.21	3½-3gro pm	2.22	10½-9½pm	2.09
Switz.	2.1150-2.1255	2.1225-2.1235	0.97-0.92c pm	5.35	2.22-2.17pm	4.14

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 52.55-52.60.

CURRENCY MOVEMENTS

Nov. 21	Bank of England Index	Morgan Guaranty Change %
Sterling	79.9	−10.4
U.S. dollar	128.0	+16.6
Canadian dollar	83.3	−9.8
Austrian schilling	118.8	+5.0
Belgian franc	92.4	−9.5
Danish Kroner	82.2	−8.5
Deutsche mark	127.7	+9.8
Swiss franc	151.6	+13.8
Guilder	118.4	+5.5
French franc	68.6	−12.6
Lira	44.6	−19.8
Yen	179.5	+50.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Nov. 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.748172	0.590839
U.S.$	7½	1.08385	0.858862
Canadian $.	8.96	*	1.17499
Austria Sch.	4	19.7064	15.5477
Belgian Fr.	8¾	56.7076	44.5473
Danish Kr	7	10.1580	7.98279
D mark	4	2.80325	2.20908
Guilder	5	3.15607	2.48696
French Fr.	9½	N/A	6.73334
Lira	15½	1895.65	1495.57
Yen	5	218.732	172.363
Norway Kr.	8	8.44499	6.64166
Span'h Pta.	—	172.502	136.006
Swedish K.	10½	N/A	6.64595
Swiss Fr.	4	2.29505	1.80892
Greek Dr'ch	20½	165.267	130.164
Irish Punt	—	N/A	0.714890

* C$/SDR rate for November 20: 1.48750

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

Nov. 21	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Yen	7⅛-7⅛	8⅛-8⅜	8⅛-8⅛	7⅞-8	7½-7⅝	7¼-7⅝
D. Krone	7½-8	7½-8	9-9½	9-9½	9-9½	9-9½
Asian $ (Sng)	7⅞-8	8-8⅛	8-8⅛	8-8⅛	8-8⅛	8⅛-8⅛

Long-term Eurodollars: two years 8¾-9 per cent; three years 9¼-9½ per cent; four years 9½-9¾ per cent; five years 9¹¹⁄₁₆-9¹⁵⁄₁₆ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

OTHER CURRENCIES

Nov. 21	£	$
N'Z'land	2.4970-2.5070	1.7315-1.7375
Saudi Ar.	5.2635-5.2680	3.6502-3.6507
Sin'pore	3.0305-3.0385	2.1045-2.1065
S.Af.(Cm)	3.8545-3.8645	2.6740-2.6810
S.Af. (Fn)	4.6880-4.8455	3.2520-3.3615
U.A.E	5.2955-5.3010	3.6725-3.6735

* Selling rate.
† Correction: Rate for Nov 19 was 5.2385-5.2450.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.5473	−0.41	+0.47	±1.5425
Danish Krone	8.12857	7.98279	−1.79	−0.91	±1.6421
German D-mark	2.23840	2.20908	−1.31	−0.43	±1.1455
French Franc	6.86402	6.73334	−1.90	−1.02	±1.3654
Dutch Guilder	2.52208	2.48695	−1.39	−0.51	±1.5162
Irish Punt	0.724578	0.714290	−1.42	−0.54	±1.6673
Italian Lira	1520.60	1493.57	−1.78	−1.63	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Record for bond

Successful US Treasury auctions, and hopes that agreement by Congress to cut the Federal budget deficit was near at hand, led to heavy turnover in US Treasury bonds on the London International Financial Futures Exchange yesterday. Total volume in December and March contracts was a record 9,000, up from the previous record in bond trading of 8,631 on November 1. Good demand was expected at last night's auction of $7bn 10-year notes, after the success of Wednesday's 2-year note auction. This coupled with speculation about an early accord to balance the Budget deficit in the next five or six years, and suspicions that Chicago traders may have been short overnight, led to a strong opening. December bonds opened at 81-30, and rose to a peak of 82-05 as large sellers found their offers taken up by eager coverers of short positions.

Wednesday's upward revision in third-quarter US Gross National Product growth was shrugged off as an aberration caused by Government orders and stock building, and is expected to be sharply reversed in the present quarter. The market expects fourth-quarter GNP growth to be as low as 1.2 per cent to 1.5 per cent, and reasons that because of this the Federal Reserve will pursue an accommodating monetary policy, although hopes of an imminent cut in the discount rate have been set back by the third-quarter revision. In spite of the strong tone to the market the Treasury bond contract could not maintain a level above 82-00, and in technical trading between London and Chicago eased back to close at 81-26 for December delivery, compared with 80-24 previously.

Eurodollar futures and gilts moved up in sympathy with bonds initially, but did not perform well, finishing higher on the day, but below opening levels.

STERLING INDEX

	Nov 21	Previous
8.30 am	80.0	79.7
9.00 am	80.0	79.7
10.00 am	80.1	79.8
11.00 am	80.1	79.9
Noon	80.2	79.9
1.00 pm	80.0	79.9
2.00 pm	80.0	79.9
3.00 pm	80.0	79.7
4.00 pm	79.9	79.9

LONDON

CHICAGO

CURRENCY FUTURES

LIFFE—DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3865	0.3877	0.3865	0.3842
March	0.3895	0.3906	0.3897	0.3873
June	0.3924	—	—	0.3903

Estimated volume 127 (23)
Previous day's open int 229 (227)

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Dec	Calls—Last March	Calls—Last June	Vol	Puts—Last Dec	Puts—Last March	Puts—Last June	Vol
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	13.90	—	—	10	—	0.50	—	25
1.35	9.00	9.35	—	21	—	—	—	—
1.40	4.30	—	—	16	—	—	—	—
1.45	0.95	3.20	—	305	—	5.30	—	7
1.50	—	—	—	—	—	—	—	—

MONEY MARKETS

Squeeze lifts overnight to 45%

Overnight interbank rose very sharply to around 45 per cent in late trading on the London money market yesterday, after the Bank of England left the market over £200m short, according to its own forecast. The move allowed the discount houses to balance their books, and was aimed at any banks who may be slow to sell bills, thus causing problems for the authorities over day-to-day

UK clearing banks base lending rate 11½ per cent since July 30

management of the market. There was no impact on longer term rates. Three-month interbank closed unchanged at 11½-11⅝ per cent, while discount houses buying rates for three-month bank bills remained at 11⅛ per cent.

The Bank of England forecast a money market shortage of £750m, but gave help of only £540m.

Before lunch the authorities bought £124m bank bills outright, by way of £4m bills in band 1 at 11½ per cent; £118m bills in band 2 at 11⅛ per cent; and £2m bills in band 3 at 11½ per cent.

In the afternoon another £361m bills were purchased outright, through £26m bank bills in band 1 at 11½ per cent; £1m local authority bills and £184m bank bills in band 2 at 11⅛ per cent; £1m local authority bills and £18m bank bills in band 3 at 11½ per cent; and £131m in bank bills in band 4 at 11⅛ per cent.

Late assistance of around £55m was also provided.

Bills maturing in official hands, repaymanet of late assistance and a take-up of Treasury bills drained £740m, with a rise in the note circulation absorbing £45m and bank balances below target another £20m. These outweighed Exchequer transactions adding £35m to liquidity.

The German Bundesbank and Bank of France had opportunities to make adjustments to domestic rates, but there was no surprise both central banks held rates steady. The Bundesbank council met, and credit policies were unchanged with the discount rate at 4 per cent and the Lombard rate at 5.5 per cent. Call money was unchanged at 4.50 per cent in Frankfurt, in spite of a slight draining of liquidity after an expiring securities repurchase agreement was not fully replaced. In Paris the Bank of France bought first category paper from the money market at 8¾ per cent. This intervention rate was cut from 9¼ per cent only last Friday.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	8⅛
Fed funds at intervention	8³⁄₁₆

Treasury Bills & Bonds	
One month	6.89
Two month	7.24
Three month	7.44
Six month	7.66
One year	7.79
Two year	8.46
Three year	8.71
Four year	8.95
Five year	9.15
Seven year	9.42
10 year	9.60
30 year	9.90

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 21) Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 8 1/16	bid 8	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Nov. 21	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11½-45	11⅝-11⅞	11 9/16-11 11/16	11½-11⅝	11⅜-11½	11¼-11⅜
Sterling CDs	—	—	11½-11⅝	11⅜-11½	11 3/16-11 5/16	11 1/16-11 3/16
Local Authority Depos	11⅝-11¾	11¼-11 5/16	11½	11½	11⅜	11¼
Local Authority Bonds	—	—	12 1/16	12	11⅞	11½
Discount mkt Depos.	11⅝-11¾	11 7/16-11 9/16	11⅝	11¼	—	—
Company Depos	11⅞-12⅛	11¾-11⅞	11¾	11¾	—	—
Finance Hse Depos	—	—	11 9/16	11 9/16	11 5/16	11 1/16
Treasury Bills (Buy)	—	—	11 11/32	11 5/16	—	—
Bank Bills (Buy)	—	—	11 11/32	11 3/16	10¾-10⅞	—
Fine Trade Bills (Buy)	—	—	11⅞	11 7/16	11 1/32	—
Dollar CDs	—	—	7.85-7.95	7.85-7.95	7.85-7.95	8.05-8.15
SDR Linked Depos	—	—	7¾-8	7¾-8	7¾-8	7⅞-8⅛
ECU Depos	—	—	8 7/16-8 9/16	8 7/16-8 9/16	8½-8⅝	8 9/16-8 11/16

Treasury Bills (sell): one-month 11 5/16 per cent; three-months 11 3/32 per cent. Bank Bills (sell): one-month 11 5/16 per cent; three-months 11 3/32 per cent. Treasury Bills: Average tender rate at discount 11.1298 per cent. ECGD fixed finance scheme IV reference rate October 2 to November 5 (inclusive): 11.608 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11¼ per cent. Under £100,000 10¾ per cent from November 19. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Nov. 21	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.45-4.55	4.55-4.65	4.75-4.85	4.75-4.85	4.8-4.9	5.5
Paris	8¾	8¾-8⅞	8¾-8⅞	8¾-8⅞	8 13/16-8 15/16	8¾

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, November 20, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of November 20 at 11.00 a.m.
3 months: 8⅛ 6 months: 8⅛

ECU=$US.848795 SDR=$US1.07927
Sibor as of November 20 at 11.00 a.m.
3 months: 8⅛ 6 months: 8⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	7.0359
Algeria	Dinar	4.4865
Andorra	Fr. Franc	7.9275
	Sp. Peseta	160.25
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (8)	0.801
Australia	Dollar	1.4686
Austria	Schilling	18.305
Gibraltar	Pound*	1.4355
Greece	Drachma (4)	163.25
Greenland	Dan. Krone	9.4025

COUNTRY	CURRENCY	VALUE OF DOLLAR
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	7.9275
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, l)	3.28
Guinea Bissau	Peso	170.479
Guinea Rep	Syli	22.8722
Guyana	Dollar	4.18
Haiti	Gourde	5.00
Pakistan	Rupee	15.9878
Panama	Balboa	1.00
Papua N.G.	Kina	1.0076

COUNTRY	CURRENCY	VALUE OF DOLLAR
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	665.00
Peru	Sol (o) (2)	13942.
Philippines	Peso	18.725
Pitcairn Is.	N.Z. Dollar	1.7819
Poland	Zloty (o)	150.14
Portugal	Escudo	163.05
Puerto Rico	U.S. dollar	1.00
Qatar	Riyal	3.641
Zaire Republic	Zaire	53.50
Zambia	Kwacha	5.9418
Zimbabwe	Dollar	1.6863

n.a. Not available. (m) Market rate. * US dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non-essential imports. (i) Floating tourist rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Peru: August 2, Official rate devaluation of approximately 12 per cent. (3) Zambia: October 11, Kwacha devalued by 58 per cent. (4) Greece: October 11, Official devaluation of approximately 15 per cent. (5) Jamaica: November 8, Rate adjustment fixed by Central Bank bi-weekly auction. (6) Botswana: August 4, Pula revalued by 3 per cent against a basket of currencies. (7) Saudi Arabia: June 10, Official devaluation of 1.1 per cent. (8) Argentina: June 15, New currency introduced—1 Austral equals 1,000 Pesos. (9) Chile: June 29, Official devaluation of 7.8 per cent. (10) Israel: July 1, Official devaluation of 18.8 per cent. (11) Italy: July 21, Official devaluation of 8 per cent within the EMS. (12) Mexico: July 11, New free rate introduced to replace old free rate. (13) Mexico: July 24, Controlled peso rate devalued by 16.7 per cent. (14) Ghana: October 7, Cedi devalued by approximately 5 per cent. For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101	99	Exch. 11¾pc '86	99		11.75	11.36
99	10	Treas. 10pcCnv 1986	99		10.05	11.27
96	92¼	Treas 3pc 1986	96	+⅛	3.11	10.43
100	97½	Exch. 10½pc 1986	99		10.53	11.25
101¾	99¼	Treas 12pc 1986	100½xd		11.94	11.14
98½	94¼	Treas 8¼pc 1984-86‡‡	98		8.63	11.04
105	102¾	Exch. 14pc 1986	102	+	13.66	11.10
94⅝	87¼	Exch. 2½pc 1986	94⅝	+⅛	2.64	8.22
104	101¼	Exch. 13¼pc 1987	102¼		12.97	11.14
99	96⅝	Treas 10¼pcCv '87	99	+	10.33	10.88
93⅛	85½	Exch 2½pc 1987	92	+	2.69	8.56
100	96¼	Exch. 10½pc 1987	99	+	10.59	10.82
95	89	Funding 6½pc '85-87‡‡	95	+	6.84	10.33
99	95½	Treas. 10pc 1987	98⅞xd	+⅛	10.11	10.84
91⅛	84¼	Treas 3pc 1987	91⅛		3.29	8.83
102	99	Treas. 12pc 1987	101	+	11.77	10.85
95	90¼	Treas 7¾pc 1985-88‡‡	94½	+	8.20	10.60
100	95¼	Exch 10½pc '88	99½	+	10.55	10.75
98⅛	93¼	Treas 9½pc Cv '88	97¾xd	+⅛	9.97	10.80
87¼	80	Transport 3pc '78-88	87¼	+⅛	3.44	8.55
97⅜	91½	Treas. 9½pc '88	96	+⅛	9.81	10.79

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1985 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
22⅞	11⅝	Amer Medical Int $1	13½xd	+⅛	72c	—	3.9
20⅝	14	American T. & T. $1	16	+⅛	$1.20	—	5.4
79½	61¼	Ameritech $1	67⅞	–⅛	$6.60	—	7.1
25	15½	Amfac‡	16½		—	—	—
47p	20½p	♦AndTech‡	24¼p		—	—	—
18½	919p	Bankamerica $1½	10¼xd		80c	—	5.6
60½	41⅛	Bankers N.Y. $10	48xd		$2.70	—	4.0
12¼	477p	BASIX Corp.	615pxd	–20	12c	—	1.4
80⅛	60¼	Bell Atlantic $1	67½	–⅛	$6.60	—	7.3
34¼	26⅞	Bellsouth $1	30¼		$2.60	—	6.7
19¼	869p	♦Beth Steel $8	10⅜	+⅛	—	—	—
24	14⅞	Bowater Inc.	15⅝	–⅛	72c	—	3.3
41⅛	31¼	Brown'g-Fer. 16⅔c	39½xd	–1¼	$1.08	—	2.0
37⅛	23⅞	Brunswick Corpn.‡	28⅛	+¼	$1.00	—	2.6
39⅞	29½	CPC Intnl. 25c	35½		$2.20	—	4.5
25	16⅛	CSX Corp U.S.$1.00	19⅝		$1.16	—	4.3
19¼	11⅛	CalFed Inc $1.00	16½xd		32c	—	1.4
32⅞	25	Campbell Soup 30c	32	+⅛	$5.00	—	11.3
31½	23¼	Caterpillar Tractor‡	26⅝	–½	50c	—	1.4
902p	551p	Cenergy Corp. 25c	582p	+7	4c	—	0.5
52¼	34⅝	Chase M'htn $12.5	43	+½	$3.80	—	6.4
38¼	23⅞	Chemical New York	28⅛		$2.48	—	6.4
34½	22	Chesebrough-Pond's $1	29⅛xd		$2.00	—	4.9
32⅛	24⅜	Chrysler $6¼	30	–⅛	$1.00	—	2.4
42⅜	27⅞	Citicorp $4	31⅛		$2.26	—	5.1
10½	662p	CityFed Fin. Corp.	702p	+7	40c	—	4.1
23½	18⅛	Colgate-P. $1	21⅛	+⅛	$1.36	—	4.6
57⅛	41	Colt Inds. $1	43½	–⅛	$2.50	—	4.1
681p	460p	Cont'l Illinois Corp $1	520p	–10	—	—	—
155p	40p	Cont Illinois Hldgs $1	52p		—	—	—
238p	49p	♦Corporate Data Scnce.	59p	–1	—	—	—
36¼	25⅛	Crown Zell $5	28¼xd	+⅛	$1.00	—	2.5
44¼	959p	Cullinet Sftw $0.1	11½	+⅛	—	—	—
506p	242p	Damson Oil 40c	251p	–1	—	—	—
29	15⅞	Dana Corp. $1	19⅛xd	+½	$1.28	—	4.8
67	22⅛	Data General	28⅝	–⅞	—	—	—
77p	16½p	♦Derma-Lock Medical	16½p		—	—	—
67	49⅛	Dun & Bradstreet $1	55½xd		$1.88	—	2.4
55⅛	36½	Eaton Corpn. 50c	41⅛xd	–⅛	$1.40	—	2.4
46½	34	♦Exxon‡	36⅛		$3.60	—	7.1
20⅛	12⅛	FPL Group $0.01	18	–⅛	$1.96	—	7.9
974p	374p	Fin Corpn. Amer. 50c	485p	–2	—	—	—

CANADIANS

BUILDING, TIMBER, ROADS—Cont.

BANKS, HP & LEASING

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

MINES—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
		O.F.S.					
385	138	Beatrix Mines	395	+10	—	—	—
625	325	Free State Dev 50c	625	+25	Q75c	1.2	3.3
£29¾	£12¾	F S Geduld 50c	£15xd		Q695c	♦	22.1
£13⅝	505	Harmony 50c	693	+11	Q290c	2.3	9.0
423	208	Loraine R1	283	+12	Q75c	—	7.3
£25¼	£10	Pres. Brand 50c	£12½xd		Q505c	♦	10.5
£27¾	£12⅛	Pres. Steyn 50c	£14¾xd		Q520c	♦	9.4
£16⅝	671	St. Helena R1	979	+53	†Q320c	1.8	8.5
888	340	Unisel	416	+14	Q150c	♦	9.4
696	356	Welkom 50c	430xd		Q234c	♦	13.9
£29⅛	£14⅝	W. Holdings 50c	£18xd		Q905c	♦	13.1
		Diamond and Platinum					
£46¼	£27	Anglo-Am Inv 50c	£33	+2½	Q590c	1.0	4.7
450	265	De Beers Df 5c	342	+42	†Q40c	4.7	3.1
700	275	Do 40pc Pf R5	350		Q200c	x	14.9
£11⅛	480	Impala Plat 20c	575	+10	Q135c	1.9	6.1
640	350	Lydenburg 12½c	420	+15	Q72c	♦	4.5
805	430	Rus. Plat. 10c	525	+5	Q90c	1.4	4.5
		Central African					
190	140	Falcon Z50c	160		†Q100c	2.5	26.5
15	10½	Wankie Col Z$1	10½		†Q5c	3.6	20.2
19	10	Zam Cpr SBD0.24	11		—	—	—
		Finance					
135	70	Afex Corp SA $1.50	88		Q7.5c	2.1	2.3
£21	875	Ang Am Coal 50c	£12		†Q195c	3.1	4.3
£11⅛	590	Anglo Amer 10c	815	+65	Q135c	2.0	4.3
£79	£30¾	Ang. Am. Gold R1	£43⅝	+1¼	†Q1025c	1.0	6.2
£37	£21	Anglovaal 50c	£25		†Q315c	2.9	3.3
33	10	Clogau Gold 10p	12		—	—	—
160	50	Com Afex Corp	70		NQ5½c	—	2.0
582	400	Cons Gold Fields	512	+6	24.5	1.5	6.8
77	29	East Rand Con 5p	34		t0.75	♦	3.2
£10¼	450	Gencor R1	575		Q170c	1.1	7.7
£11¾	475	Gencor 40c	625		Q190c	1.2	7.9
22	10½	Gold & Base 12½p	18		—	—	—
£15¼	608	Gold Fields S.A. 5c	814	+27	Q120c	2.0	3.8

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
23	6½	Swan Res 20c	11	+¼	—	—	—
16	8½	Thames Mining A$0.25	9¼		—	—	—
62	22½	Utd Goldfields NL	55		—	—	—
26½	6½	West Coast 25c	19		—	—	—
17	9	Western Contl 25c	11		—	—	—
247	150	Westn. Mining 50c	150		Q6c	♦	1.9
182	122	Whim Creek 20c	124		Q5c	4.1	1.9
47	15	Windsor Res NL	38		—	—	—
10½	3¼	York Resources	3½		—	—	—
		Tins					
290	180	Ayer Hitam $M1	213	−7	vQ155c	♦	23.3
250	80	Geevor	87	−1	12.0	1.9	19.7
175	65	Gopeng Berhad M$0.50	78	−5	g$0.16	♦	7.3
650	650	Hongkong	650#		—	—	—
27	11	Jantar 12½p	18		2.5	♦	19.8
55	24	Malaysia Mng. 10c	26xd		‡vQ6c	2.4	‡
38	17	Pahang	17#		8—	—	—
650	200	Pengkalen 10p	200		—	—	—
275	140	Petaling $M1	140		vQ60c	♦	12.5
275	145	Sungei Besi $M1	158	−7	vQ43c	—	8.0
285	160	Tanjong 15p	175		g3.5	—	2.9
250	90	Tongkah H. Tin $M1	112		vQ23c	1.2	6.3
305	145	Tronoh $M1	148	−2	†vQ64c	1.1	12.6
		Miscellaneous					
55	30	Anglo-Dominion	30		—	—	—
41	33	Anglo Utd Dev	36		bd1.05	2.1	4.2
350	117	Centennial Min'ls.	162		—	—	—
120	48	Colby Res Corp.	80		—	—	—
550	175	Cons. Murch. 10c	215		gQ86½c	3.9	10.5
40	24	Essex Inv. Ir10p	32		—	—	—
123	90	Greenwich Res.	90		—	—	—
215	115	Hampton Areas 10p	146	+6	3.75	0.9	3.4
260	135	Highwood Res.	145		—	—	—
£22½	£15⅝	Homestake Mining $1	£16½	+¼	Q20c	—	0.9
310	155	McFinley Red Lake	220		—	—	—
335	195	Mosto Explorations	280	−10	—	—	—
55	23	New Sabina Res C$1	41		—	—	—
375	195	Northgate C$1	225	+3	—	—	—
685	525	RTZ	543	+2	†20.0	2.8	5.3
£145½	£116½	Do. 9½pcLn '95-2000	£120	+1	Q9½%	14.0	†8.2
980	880	Tara Expln $1	880	−20	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	100		Fin. 13% 97/02	£109⅝	+¼
Craig & Rose £1	800		Arnotts	228	
Finlay Pkg. 5p	51		CPI Hldgs	67	
Holt (Jos) 25p	710		Carroll Inds.	140	
IoM Stm. £1	77		Dublin Gas	77	
			Hall (R. & H.)	54	+2
IRISH			Heiton Hldgs.	21	−2
Fund 11¼% 1988	£100⅛		Irish Ropes	45	
Nat. 9¾% 84/89	£95⅝		Unidare	130	+5

"Recent Issues" and "Rights" Page 26
(International Edition Page 30)

LONDON STOCK EXCHANGE

MARKET REPORT

Equity upsurge gathers momentum and index rises 15.6 more for 3-day gain of 38.4

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16
Dec 9	Dec 19	Dec 20	Jan 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

London equities turned in another strong performance yesterday. For the third consecutive trading session the tone was remarkably strong with the market progressing to new heights. The indices closed at record levels again, with the FT Ordinary share index ending 15.6 up for a three-day rise of 38.4 at 121.6. The broader-based FT-SE 100 share climbed 18.8 more to 1443.1.

In direct contrast to Wednesday's session, business initially was moderate and the market's upward progress was hindered by end-Account profit-taking. The main investment response came via a spate of favourable trading statements. Among the list of companies reporting either preliminary or interim profits were industry leaders such as **British Petroleum, Boots, Burtons and Distillers.** All announced encouraging figures which added to the recent flow of good corporate results. BP, Boots and Burton rose strongly but Distillers were decidedly less buoyant, the news having been discounted in the shares' recent rise.

Demand for most equities was persistent rather than heavy but it exerted further pressure on dealers' short book positions. Consequently the market went from strength to strength and with the help of Wall Street, which climbed 17 points in the opening 90 minutes, continued to advance during the after-hours' trade. International stocks participated in the upsurge despite a strong sterling exchange rate against the dollar. The latter faltered after Wednesday's spirited rally on the latest GNP data.

The pound's firmness coupled with revived hopes of lower interest rates both in the UK and America generated support for Government securities. Longer bonds made steady improvement and selected issues succeeded in rising ½ or so before turning back from the highest levels. Disappointing US bond indications, and slightly easier Gilt futures quotations brought about the late dullness. Shorter maturities along with index-linked stocks were rarely more than ¼ higher at the closer.

Composites better

Composite Insurances made a firm showing as takeover speculation revived. Perennial favourite **Commercial Union** put on 6 at 241p, while **Royals**, which last week revealed excellent third-quarter profits, advanced 20 at 787p. **General Accident** appreciated 12 at 752p. **GRE**, at 762p, and **Sun Alliance**, at 562p, rose 7 apiece.

Unlisted Securities Market newcomer **Sterling Publishing** staged a satisfactory debut; the shares opened at 65p and edged up to 67p compared with the placing price of 57p.

Distillers remained volatile and touched a new high of 503p in immediate response to the better-than-anticipated interim results. Profit-taking developed, however, and the shares dipped to 490p before settling a net 3 cheaper at 495p. Business in Breweries declined from the recent high levels and the closing tone was decidedly irregular. **Bass** continued to attract sporadic demand and hardened 10 for a two-day gain of 30 at 685p, while buyers also returned for **Scottish and Newcastle**, 4 dearer at 180p.

Leading Building issues made fresh headway and generally closed at the day's best. Buyers again favoured **Blue Circle**, up 7 more at 592p, and **BPB Industries**, 4 better at 356p; the latter's interim results are due next Tuesday. **RMC** moved up to a fresh peak of 508p and **Tarmac** firmed 4 to 402p, but **Redland** bucked the trend and closed 6 down at 340p. **Costain** attracted fresh support and rose 6 to 490p. **Raine Industries** put on 3 to 28½p on bid hopes. In a firm Timber sector, **Magnet and Southerns** gained 12 to 154p and **Meyer International** improved 2 to 172p.

ICI remained a firm market and rose 6 to 720p on a combination of domestic and overseas support.

Burton pleases

Recent support of **Burton** appeared fully justified following the announcement of excellent preliminary profits accompanied by a proposed 100 per cent scrip issue; the shares attained a new peak of 625p before shading slightly to 623p—a net advance of 18. **Burton Warrants** were marked 45 higher to 560p. Other leading Stores, already buoyed by encouraging prospects for Christmas trading, took heart from the news and often reached new highs for the year, although rises were sometimes clipped after-hours following sporadic profit-taking. **British Home Stores** attracted yet another active business and touched 369p before closing a net 4 to the good at 366p. **Habitat Mothercare**, interim results scheduled for December 5, rose 6 to 532p, as did **Harris Queensway** to 268p. Secondary Stores, relatively subdued recently, responded to fresh, albeit selective interest. **S. Simpson A** put on 30 to 325p, while **Courts A** closed 7 up at 130p. **A. Goldberg** rallied 5 to 93p and **Bentalls**, still buoyed by takeover talk, improved 4 to 161p. **J. Hepworth** finished 7 dearer at 242p.

Among Shoes and Leather issues, **FII** attracted revived speculative support and rallied 22 to 305p.

Electrical leaders revived strongly and experienced their best session for some time. Reports that Robert Maxwell is prepared to pay £100m for Thorn EMI's Screen Entertainments division helped the latter's shares jump 20 to 417p, while persistent speculative buying lifted **GEC** 10 to 182p and **Plessey** 6 to 134p. **STC** added 6 at 96p and **Racal** moved up 4 to 136p. Some old takeover favourites figured prominently among secondary concerns with **Crystalate** notable for a rise of 10 at 133p and **Cray** closing 18 to the good at 278p. **Dubilier** rose 12 to 164p ahead of next Wednesday's annual results, while **Apricot Computers** put on 7 at 69p; the latter's interim figures are scheduled for Tuesday.

Secondary stocks provided the main features among Engineerings. **Meggitt** attracted a sudden flurry of speculative support and closed 10 higher at 106p, while improvements of 9 and 12 respectively were seen in **British Steam**, 155p, and **Spear and Jackson**, 254p. **G. M. Firth**, with the help of "call" option activity, closed 5 higher at 70p and **Matthew Hall** put on 6 afresh to 186p as buyers continued to show a keen interest ahead of the interim results scheduled for December 3. **B. Elliott** dipped to 55p in initial response to news of the £0.7m interim deficit, but later rallied on the chairman's accompanying optimistic remarks regarding second-half prospects and closed 2 better on balance at 59p. **Hobson** added 2 to 14p following the interim results, but **Thomas Locker A** fell 2 to 25½p in reaction to the disappointing first-half figures.

Takeover favourite **United Biscuits** again featured in Foods, spurting 15 to 232p on a combination of overseas domestic buying. The appearance of a sizeable buyer helped **Tate and Lyle** rise 5 to 535p, while demand ahead of the interim results due on December 12 lifted **Northern Foods** 8 to 300p. Retailers also attracted a fair measure of support with **J. Sainsbury** up another 4 at 378p and **Dee Corporation** 5 to the good at 261p. Recently-overlooked **Befam** firmed 5 to 179p. **Hunter Saphir** gained 6 to 141p following the good half-year results and encouraging statement.

Boots good

Miscellaneous industrial leaders continued to scale new peaks. **Boots** responded to better-than-expected interim profits and closed 15 higher at a 1985 high of 237p, while **Beecham** advanced 13 to 303p on news of the £273m acquisition of Norcliff Thayer, an over-the-counter medicines and health products business, from Pantry Pride. Publicity given to a broker's circular helped **BTR** firm 10 to 393p, while **BOC** added 7 at 312p and **Unilever** ½ at £12½. **Reed International**, however, lost 11 to 692p following the planned savings in its publishing division. Elsewhere, **Associated British Ports** rose 14 to 388p in the wake of a broker's lunch with the company and US buying left **Reuters "B"** 9 to the good at 329p. Following the proposed divisional restructure, **F. H. Tomkins** added 6 more at 237p, while **Ashley Industrial Trust** advanced 6 more to 76p on renewed speculative support. **AAH** added 8 at 180p, **Unigroup** firmed 6 at 66p and **Tiphook** put on 9 to 126p. **Extel**, however, dropped 13 to 335p, after 328p, mirroring disappointing interim results. **Wedgwood**, 10 down at 216p, also reflected uninspiring trading news together with a proposed £13.6m rights issue.

Sangers Photographic rose 39 to 78p on asset injection hopes following the acquisition by Mr J. R. Peace of Pavion's 76 per cent holding at 40p per share and subsequent bid for the minority at that price. Elsewhere in the Leisure sector, **Aspinall Holdings** found support at 153p up 4, but **Pavilion Leisure** shed 9 to 28p on lack of interest.

EMAP provided an isolated firm feature among otherwise lacklustre Publishers, rising 6 to 167p in reply to the increased interim profits and dividend. Elsewhere, **Norton Opax** advanced 12 to 127p in front of Monday's mid-term statement.

The Property leaders staged a modest revival as investors paid heed to a bullish survey from estate agents Richard Ellis which highlighted buoyant city rents and increased demand for office space. **Land Securities** picked up 4 to 321p and **MEPC** improved 3 to 299p, while **Haslemere Estates** advanced 7 to 517p.

Courtaulds succumbed to minor profit-taking following the sharp rise that accompanied the excellent interim figures announced in mid-week and slipped a couple of pence to 182p, while **Coats Patons** dipped 5 to 155p. **David Dixon**, however, edged up 4 to 240p and **Dawson International** hardened 2 to 200p; both companies are scheduled to announce interim results next week.

Results boost BP

The oil leaders were given a boost by BP's third-quarter profits which were well in excess of most market forecasts. A shade easier at 588p during the morning, **BP** were marked up to around 600p immediately following the results and subsequently advanced to close a net 13 up at a 1985 high of 605p.

Other oils to improve in sympathy with BP included **Britoil**, 5 firmer at 235p, and **Enterprise** which added 3 at 165p. **Shell** rallied from 680p to touch touch 685p prior to closing unaltered on balance at 683p. **Tricentrol**, on the other hand, came under pressure following acutely disappointing third quarter figures and dropped to a year's low of 153p before rallying to end the session a net 3 easier at 160p. Secondary oils were overshadowed by events in the leaders, but **Premier** attracted support in front of interim results next Wednesday and hardened a few pence to 36p. **New London Oil**, also scheduled to report half-year figures that day, moved up 8 to 58p.

De Beers advance

De Beers held centre-stage in a generally buoyant South African mining market, and raced ahead to close 42 higher at 342p following a substantial buying order which uncovered a stock shortage. **Anglo American Corporation** rose sharply in sympathy and settled 65 to the good at 815p, while **Minorco** jumped 30 to 550p.

London-domiciled Financials provided firm features in **Consolidated Gold Fields**, up 6 at 512p and **Hampton Areas**, a like amount better at 146p while **Rio Tinto-Zinc** hardened 3 to 543p.

South African Golds extended their recent upsurge as persistent Continental and London buying followed Tuesday's economic package of tax cuts and lower interest rates in the Republic. Share prices were marked higher at the outset and therafter gained further ground to close at the day's best levels. The Gold Mines index put on 8.4 more to 293.6—its best level for more than a month and a jump of 76 points since November 5.

The leading heavyweights showed gains of up to a point, as in **Vaal Reefs**, £46¼, but in the main rises were generally confined to around ½. Second-line Golds were highlighted by **Kinross**, 61 better at 961, **Hartebeest**, which advanced 27 to 282p and **Elandsrand** which put on 14 to 372p.

Platinums took heart from the strong gains in Golds and Financials and **Impala** edged up 10 to 575p. **Rustenburg** settled 5 better at 525p.

Australians continued to perform disappointinly and mirrored widespread minor falls in overnight Sydney and Melbourne markets. **North Broken Hill** slipped 6 to a 1985 low of 100p and **CRA** dipped 8 to 252p, while **Peko-Wallsend** lost 4 to 232p.

FINANCIAL TIMES STOCK INDICES

	Nov. 21	Nov. 20	Nov. 19	Nov. 18	Nov. 15	Nov. 14	year ago
Government Secs	83.60	83.37	83.41	83.10	83.02	82.95	82.91
Fixed Interest	88.96	88.78	88.76	88.68	88.59	88.72	86.12
Ordinary ♥	1121.6	1106.0	1095.5	1083.2	1086.1	1081.1	909.9
Gold Mines	293.6	285.2	277.6	280.4	283.0	263.9	572.3
Ord. Div. Yield	4.31	4.36	4.40	4.43	4.42	4.45	4.69
Earnings, Yld. %(full)	10.69	10.82	10.90	10.98	10.97	11.04	11.29
P/E Ratio (net) (*)	11.53	11.39	11.31	11.23	11.24	11.16	10.61
Total bargains (Est.)	28,754	24,436	23,189	23,188	24,645	23,331	19,226
Equity turnover £m.	—	729.12	598.23	427.29	695.62	722.60	313.62
Equity bargains	—	28,567	34,147	26,674	21,817	23,769	16,724
Shares traded (ml)	—	349.8	279.3	216.0	348.2	367.5	164.3

♥ 10 am 1107.5. 11 am 1109.9. Noon 1111.2. 1 pm 1112.9. 2 pm 1114.3. 3 pm 1115.2. 4 pm 1116.5.

Day's High 1121.6. Day's Low 1106.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=11.12.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	76.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.38 (23/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1121.6 (21/11)	911.0 (25/7)	1121.6 (21/11/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	217.6 (5/11)	734.7 (15/2/83)	43.5 (26/10/71)

	Nov. 20	Nov. 19
Daily Gilt Edged Bargains	134.2	129.7
Equities Bargains	185.1	156.4
Equities Value	1473.7	1209.2
5 day Average Gilt Edged Bargains	130.7	130.2
Equities Bargains	162.1	155.8
Equities Value	1282.6	1207.8

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (127)

BRITISH FUNDS (5)
AMERICANS (1)
BANKS (5)
BREWERS (2)
BUILDINGS (12)
CHEMICALS (2)
STORES (14)
ELECTRICALS (7)
ENGINEERING (14)
FOODS (7)
HOTELS (2)
INDUSTRIALS (21)
INSURANCE (5)
LEISURE (1)
MOTORS (1)
PAPER (2)
PROPERTY (5)
SHOES (1)
TEXTILES (2)
TRUSTS (16)
OILS (1)
MINES (1)

NEW LOWS (19)

AMERICANS (1)
TRW Inc
ELECTRICALS (3)
A & G Security Elects, Shorrock, Kode Intl
FOODS (1)
Wold
INDUSTRIALS (4)
Biddle, Restmor, Chemical Methods, Rolfe & Nolan
LEISURE (2)
Intl Leisure, SeaCo Inc
SHIPPING (1)
Mersey Dock Units
TEXTILES (1)
Palma Group
TRUSTS (2)
Japan Assets, London Trust
OILS (2)
Sceptre Resources, Tricentrol
MINES (2)
North Broken-Hill, Tara Expln

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
60	Nil	—	4pm	1pm	‡Pavion Intl.	4pm	+1
240	Nil	—	45pm	45pm	Samuelson Grp. 20p	45pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 18	Nov 29	Feb 20	Mar 3
Dec 2	Dec 13	Mar 6	Mar 17
Dec 16	Jan 3	Mar 26	Apr 7

For rate indications see end of Unit Trust Service

Money was given for the call of Pelly Peck, Minorco, Burns Anderson, Rockware, Pavion, Pentos, Barratt Developments, International City Holdings, Abaco, STC, Victor Products, G. M. Firth, Amber Day, Peisart, North Kalgurli, Clyde Petroleum, Fine Art Developments and S. R. Gent. Puts were taken out in FKI Electrics and Somportex but no doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	98	1	5
Corpns. Dom. and Foreign Bonds	30	6	47
Industrials	334	248	907
Financial and Props	98	88	379
Oils	20	17	90
Plantations	0	1	17
Mines	62	19	106
Others	62	65	114
Totals	704	432	1,669

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Wed Nov 20 Index No.	Tues Nov 19 Index No.	Mon Nov 18 Index No.	Year ago (approx.) Index No.
67	Insurance (Brokers) (8)	1202.87	+0.5	7.83	3.59	19.02	29.71	1196.79	1194.43	1187.28	885.56
68	Merchant Banks (11)	287.37	−0.2	—	3.58	—	5.80	288.09	287.00	290.23	210.78
69	Property (51)	693.34	+0.6	5.60	3.53	23.91	13.64	689.23	692.81	695.78	625.35
70	Other Financial (24)	307.93	−0.2	9.93	5.54	12.44	11.10	308.56	307.57	308.51	245.53
71	Investment Trusts (106)	639.23	−0.3	—	3.38	—	13.47	641.22	640.96	642.21	546.35
81	Mining Finance (3)	263.46	+0.7	12.70	5.90	9.16	10.48	261.57	256.46	257.40	289.32
91	Overseas Traders (14)	587.27	+1.2	13.26	6.81	8.97	28.59	580.56	574.68	573.33	587.35
99	ALL-SHARE INDEX (739)	696.04	+0.9	—	4.21	—	18.26	689.71	684.28	682.12	550.04

	Index No.	Day's Change	Day's High	Day's Low	Nov 20	Nov 19	Nov 18	Nov 15	Nov 14	Year ago
FT-SE 100 SHARE INDEX	1443.1	+18.8	1443.3	1426.7	1424.3	1412.1	1405.1	1403.9	1391.7	1158.2

FIXED INTEREST

	PRICE INDICES	Thurs Nov 21	Day's change %	Wed Nov 20	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	119.07	+0.13	118.92	—	10.54
2	5-15 years	133.12	+0.30	132.72	—	11.87
3	Over 15 years	138.20	+0.30	137.79	—	11.77
4	Irredeemables	150.04	+0.48	149.32	—	13.34
5	All stocks	130.73	+0.24	130.41	—	11.52
6	Debentures & Loans	111.58	+0.11	111.46	—	11.11
7	Preference	82.08	+0.01	82.06	—	6.27
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	109.58	+0.09	109.48	—	2.69

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Nov 21	Wed Nov 20	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.94	9.98	10.42
2		15 years	10.20	10.24	10.21
3		25 years	10.22	10.26	9.88
4	Medium Coupons	5 years	10.81	10.87	10.88
5		15 years	10.55	10.60	10.60
6		25 years	10.21	10.24	10.00
7	High Coupons	5 years	10.92	10.96	10.90
8		15 years	10.71	10.75	10.76
9		25 years	10.41	10.43	10.12
10	Irredeemables†		9.76	9.80	9.64
11	Debs & Loans	5 years	11.38	11.40	11.59
12		15 years	11.30	11.32	11.52
13		25 years	11.23	11.24	11.44
14	Preference†		11.82	11.82	12.72
15	Inflation rate	5%	3.70	3.71	3.43
16		10%	3.50	3.51	3.24

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Beecham	303	+13
Boots	237	+15
BP	605	+13
Burton	623	+18
Cray Electronics	278	+18
Crystalate	133	+10
Distillers	495	− 3
Euro Ferries	146½	− 2½
Extel	335	−13
Jaguar	334	− 1
Powell Duffryn	290	− 2
Tricentrol	160	− 5

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Cheshire W'fds	29	134	—
ICI	20	714	+17
SPP Group	20	136	—
Ashley In. Tst.	19	70	− 6
Glaxo	19	£15½	+ 0⅛
MK Electric	19	295	−15
Allied-Lyons	16	292	+ 2
Metal Box	15	526	+16
Cable & Wire.	14	650	+ 5
Euro. Ferries	14	149	− 3½
Reed Intl.	14	703	+ 4
BP	13	592	− 1

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$320	16	16 A	9	21.50	—	—	$326.20

TOTAL VOLUME IN CONTRACTS: 59,819

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*603)	500	115	125	—	1½	6	—
	550	68	78	88	4	15	23

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
P. & O. (*428)	390	53	58	—	5	10	—
	420	30	40	50	14	22	25

November 21 Total contracts 32,667 Calls 18,458 Puts 4,298

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA | GERMANY | NORWAY | AUSTRALIA (continued) | JAPAN (continued)

BELGIUM/LUXEMBOURG | SPAIN | SWEDEN | HONG KONG

DENMARK | ITALY | SWITZERLAND | JAPAN | SINGAPORE

FRANCE | NETHERLANDS | AUSTRALIA | SOUTH AFRICA

Peugeot S.A.	462	+12
Printemps (Au.)	339.8	+14.8
Radiotechn	410	+15
Redoute	1,860	+21
Roussel-Uclaf	1,647	+1
Sefimeg	362	+8
Skis Rossignol	1,430	+39
Telemec Elect	2,790	+50
Thomson (CSF)	637	+14
Valeo	329.9	+5.9

Robeco	81.3	+0.6
Rodamco	135.4	
Rolinco	73.3	+0.3
Rorento	47.4	+0.2
Royal Dutch	186.1	+0.2
Unilever	375	+6
VMF Stork	251	+6
VNU	267	+4.6
Wessanen	282	+2.5
West Utr Bank	93.5	+2.3

Boral	3.15	+0.01
Bougainville	1.88	
Brambles Inds	4.12	
Bridge Oil	2.2	−0.1
B. H. Prop.	8.58	+0.02
CRA	5.34	−0.16
CSR	3.33	−0.01
Castlemaine Tys	8.0	
Coles (G.J.)	4.04	+0.04
Comalco "A"	1.68	−0.02
Consolidated Pet	0.38	
Costain Aust	2.1	−0.15
Dunlop Olympic	2.35	+0.03
Elders IXL	2.75xc	+0.01
Energ Res	1.55	

Kirin	725	−17
Kobe Steel	180	+4
Komatsu	514	+1
Konishiroku	696	−11
Kubota	338	−2
Kumagai	703	+20
Kyocera	4,060	−120
Marubeni	327	−2
Marui	1,520	+30
Mazda Motors	392	−1
Meiji Seika	541	−1
MEI	1,20	+30
M'bishi Bank	1,46	+10
M'bishi Chem	49	+5
M'bishi Corp	65	−20
M'bishi Elect	54	−6
M'bishi Estate	1,140	+60

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. $ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 33

Stock		Sales (Hnds)	High	Low	Last	Chng
OneBcp	.52	219	32⅝	32	32	−¼
OnLine		47	6¾	6½	6¾	+½
OpticC		338	14⅝	14⅛	14¼	+⅛
OpticR		2506	27¼	25¾	27¼	+2¼
Orbanc		10	14	14	14	−⅛
Orbit		202	7¼	6⅞	6⅞	−¼
OrfaCp		420	7	6¾	7	+⅛

Stock		Sales (Hnds)	High	Low	Last	Chng
RyanFs		390	23	22¾	23	+¼
SAYInd		97	10⅝	10¼	10¼	
SCI Sy		588	13⅝	13	13¼	−⅛
SEI		681	23¼	22½	23¼	+¾
SFE	.10r	161	6¼	6⅛	6¼	
SRI	.80	1545	19¼	18¾	18¾	−⅜
Safecds	.20b	800	22⅝	21⅞	22	−⅜
Saleco	1.60	314	44⅞	44⅛	44⅞	+⅜
SafHlts		24	12½	12½	12½	+½

Stock		Sales (Hnds)	High	Low	Last	Chng
Tandon		3026	3½	3¼	3⅜	+⅛
TcCom		3	13¾	13¾	13¾	
Telco		755	10¼	10	10	−¼
TlcmA		1361	36⅛	35¾	36⅛	+⅝
TelPlus		1078	9¼	9	9¼	+⅛
Telecrd	.32	138	26¾	26¼	26¼	−¼
Telpcts		1355	19⅞	19¼	19¼	
Telvid		409	2⅞	2¾	2⅞	
Telabs		923	10½	10¼	10⅜	
Telxons		458	18½	18	18½	+¼

Stock		Sales (Hnds)	High	Low	Last	Chng
Wyman	.80	126	21¼	20¾	21	−¼
X Y Z						
Xebec		262	2¾	2⅝	2⅝	
Xicor		1286	8½	8¼	8⅜	+⅛
Xidex		1359	14¼	13⅝	14¼	+⅝
YlowFs	.54	1388	25	24½	25	+⅜
ZenLbs	.10i	1008	25¾	24¾	25¾	+¼
Ziegler	.48a	46	13¼	13	13	−¼
ZionUt	1.36	124	45	44	44½	+¾
Zitel		561	2⅝	2	2⅝	+5-16
Zlyad		46	6	5⅞	5⅞	
Zondvn	.08j	182	11½	11¼	11⅜	−⅛
Zymos		621	2 11-16	2½	2⅝	−1-16

CANADA

TORONTO

Prices at 2.30pm November 21

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices November 20

Total Sales 3,345,271 shares

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

NEW YORK ACTIVE STOCKS

AT & T	2,208,600	23	+⅛	Rorer	1,12[illegible]		
N. Indiana PS	1,943,400	9⅞	+1⅛	Pantry Pride	1,116,200	9⅝	+⅞

TORONTO	Nov 21	Nov 20	Nov 19	Nov 18	1985 High	1985 Low
Metals & Minls	1,811.3*	1,876.2	1,837.4	1,847.7	2198.7 (13/2)	1740.82 (31/10)
Composite	2,834.6*	2,811.9	2,783.8	2,781.7	2819.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	137.50*	138.23	135.22	134.88	139.33 (19/7)	117.80 (4/1)

* Indicates pre-close figure

** Saturday November 16: Japan Nikkei 12,679.6. TSE 994.69.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3. and Australia. All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES		
Ex 13¼% '96	£115½	+ ½
Anglo Am	815	+65
Ash Ind Trust	76	+ 6
Ass Brit Ports	388	+14
BTR	393	+10
Bairstow Eves	127	+ 4
Beecham	303	+13
Boots	237	+15
BP	605	+13
Burton	623	+18
Cray Elec	278	+18
Crystalate	133	+10
De Beers Dfd.	342	+42
Dubilier	164	+12
EMAP A	167	+ 6
GEC	182	+10
ICI	720	+ 6
Magnet & S	154	+12
Meggitt	106	+10
Norton Opax	127	+12
Plessey	134	+ 6
STC	96	+ 8
Sangers Phot	78	+39
Simpson A	325	+30
Thorn EMI	417	+20
Unigroup	66	+ 6
United Bisc	232	+15
FALLS		
Akroyd & S	550	−20
Extel	335	−13
Wedgwood	216	−10

AUSTRALIA

Golds retain lustre amid profit-taking

GOLDS shone in an otherwise lacklustre Sydney yesterday where the All Ordinaries index closed 3.4 up at 986.4 after profit-taking towards the end of the day stripped some of the modest gains earlier in the session.

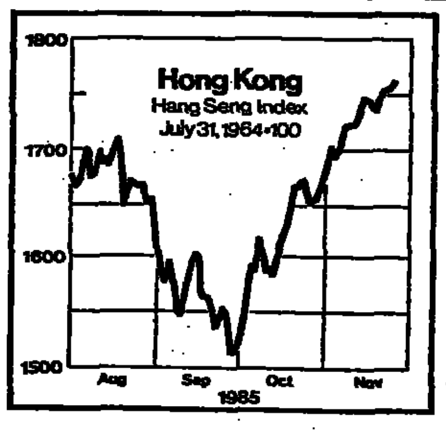
BHP was active again after Mr Robert Holmes à Court's Bell Resources bought 8.4m shares in the company. BHP added 2 cents to A$8.58 and Bell Resources firmed 5 cents to A$4.90 ex-scrip. Bell Group closed 10 cents up at A$11.70.

Among mines which benefited from the higher world gold price, Kidston added 4 cents to A$5.34, GMK was 20 cents up to A$9.70, Western Mining gained 3 cents to A$3.20 and Emperor was 5 cents higher at A$3.05.

Banks, which also resisted the downturn, closed steady to firmer. Westpac was unchanged at A$4.50, ANZ added 2 cents to A$4.85, and National Australia firmed 2 cents to A$4.72.

Media shares were generally weaker with News Corp 4 cents down at A$4.72 and Herald and Weekly Times 54 cents lower at A$5.60.

Elsewhere, among industrials Pioneer Concrete was unchanged at A$2.22 as was Bougainville at A$1.88, and Brambles Industries at A$4.12. Dunlop Olympic added 3 cents to A$2.35, Elders IXL 1 cent to A$2.75 ex-scrip, while Howard Smith slipped 10 cents to A$4.10.



HONG KONG

LATE institutional buying countered earlier profit-taking in Hong Kong where the Hang Seng index added 5.22 to 1,762.51 – its highest since July 1981.

Among actives, Swire Pacific added 25 cents to HK$30.50 on continued rumours that it might spin off Cathay Pacific Airways.

In utilities, China Light firmed 10 cents to HK$18.40, while Hongkong and China Gas slipped 30 cents to HK$12.60 and Hongkong Electric lost 5 cents to HK$8.50.

SOUTH AFRICA

PROFIT-TAKING stripped golds of some of the strong gains seen in the previous session in Johannesburg, leaving the shares mixed. Industrials, however, continued to rise and dealers reported some overseas interest.

Southvaal closed R1 down at R105, West Rand Consolidated shed 25 cents to R9.75 and Driefontein fell 75 cents to R55.50.

SINGAPORE

Pan Electric sparks fresh fall

SELLING PRESSURE pulled Singapore sharply lower yesterday amid continued concern over Pan Electric Industries' debt problems.

The Straits Times index shed 13.86 to 733.99 in active trading as market sentiment suffered from the lack of official information about Pan Electric's latest difficulties.

No sectors escaped the downturn completely.

Banks saw some of the biggest losses of the session with OCBC and Malay Banking both 15 cents lower at S$8.45 and S$5.15 respectively, OUB 8 cents down at S$2.75 and UOB down 10 cents to S$3.50.

However, Public Bank moved against the trend adding 3 cents to close at S$1.28.

Also higher, and the most active share of the session, was Grand United which firmed 7 cents to S$1.25.

Elsewhere, however, prices were generally lower.

Cold Storage lost 12 cents to S$3.08, Genting was down 15 cents at S$5.55, Haw Par Brothers slipped 3 cents to S$2.03, Keppel Shipyard weakened by 3 cents to S$1.15, Sime Darby was 4 cents lower at S$1.48 and Singapore Press gave up 5 cents to S$6.45.

Prices at 3pm, November 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅜	16	AAR	.56	2.5	15	73	22⅞	22⅝	22⅝	−⅛
18½	8¾	AGS			15	121	u19	18⅜	18½	+⅛
14	9⅞	AMCA				16	11½	11¼	11½	
50¾	29¾	AMR			7	14729	42⅝	38¾	40⅝	−1
23⅝	18⅝	AMR pf2.18		9.2		14	23¾	23⅝	23⅝	
12⅝	7⅝	APL			5	88	10⅝	10⅜	10½	+⅛
15⅛	9	ARX			14	132	u15⅜	15	15⅜	+¼
59	32¾	ASA	2a	5.4		280	37½	36⅞	37¼	
27	10½	AVX	.32	2.4		186	13¼	12½	13⅛	+⅝
28⅛	20	AZP	2.72	10	7	1960	26⅛	25⅝	26	+⅜
63	38⅝	AbtLab	1.40	2.3	17	1334	u63⅜	62	62⅛	−¾
25⅞	19⅝	AccoWd	.50	2.1	17	519	23⅝	23⅜	23½	−⅛
24¾	10	AcmeC	.40	3.6		415	11¼	11	11⅛	−⅛
10½	7	AcmeE	.32b	4.3	11	87	7⅜	7	7⅜	+⅜
19	15½	AdaEx	1.92e	11		91	18⅜	18¼	18¼	−⅛
20	13½	AdmMl	.40	2.0	8	20	19¾	19⅝	19¾	+⅜
14¾	8⅝	AdvSys	.53t	3.6	21	338	14¾	14⅝	14⅝	+⅜
36⅜	22⅛	AMD			40	4904	27½	26¾	27	+⅜
12⅛	10⅝	Adobe n				98	u12¼	12	12	
15¾	14⅝	Adob pfA				204	u15⅞	15¾	15¾	
17⅜	15¼	Adob pfB				109	17¼	17	17⅛	
12⅛	6⅞	Advest	.12a	1.1	15	234	10¾	10½	10⅝	+⅛
53⅛	34⅜	AetnLf	2.64	5.1	17	2309	52½	51¾	52¼	+⅝
57½	53¼	AetL	pf5.41e	9.6		4	56⅛	56⅛	56⅛	+⅛
39¼	22⅛	Ahmns	1.20	3.0	7	5783	u40½	38⅞	39½	+1
3⅜	2½	Aileen				84	2¾	2⅝	2¾	+⅛
59½	44½	AirPrd	1.48	2.5	13	1554	u60½	59	59⅝	+⅞
24⅜	17½	AirbFrt	.60	2.9	12	54	21¼	21	21	−⅛
2⅛	1⅜	AiMoa s	.10e	5.7		853	1¾	1⅝	1¾	
29¼	23⅝	AlaP	pf2.63e	9.2		350	28½	28½	28½	−¼
33⅜	28	AlaP	pfA3.92	14.		90	28⅞	28¾	28¾	
8⅜	6¾	AlaP	dpf .87	10		230	u8¾	8¼	8⅜	+⅛
87¼	66½	AlaP	pf 9	11.		z170	85½	84½	85½	+2⅜
77	61⅞	AlaP	pf 8.16	11.		z370	76½	76½	76½	
76¼	60	AlaP	pf 8.28	11.		z520	76	75	76	+1½
26⅜	12⅞	AlskAir	.16	.9	7	1687	19¾	18⅝	18⅝	−⅞
30¼	12½	Albrto s	.38	1.3	22	34	29⅜	29	29¼	−⅛
33¼	26⅜	Albtsns	.76	2.4	13	222	32¾	32⅛	32¼	+¼
31¼	22¾	Alcan	.80	3.0	51	1494	27	26	26½	+½
36⅞	27⅛	AlcoStd	.24	3.4	16	113	37	36¾	37	
32½	21	AlexAlx	1	3.1		539	32	31½	32	+⅜
30	20⅜	Alexdr			26	47	28⅞	28¾	28¾	−⅛
89½	72¼	AligCp	1.54t	1.8	21	28	83⅞	83	83⅞	+½
27⅛	24½	AlgCp	pf2.86	11		11	26¾	26½	26¾	
28¾	20¼	AlgInt	1.40	5.5		277	25½	25	25¼	+¼
20¾	16⅞	AlgIn	pf2.19	12.		7	18⅛	18⅛	18⅛	+⅛
98	85¼	AlgI	pfC11.25	13.		48	91½	89	89½	−2
34⅜	28⅛	AlIgPw	2.70	8.3	10	367	32¾	32¼	32½	+⅜
24	16¼	AllenG	.60b	2.7	12	21	22⅞	22⅝	22⅝	
23¼	15⅞	AlldPd			8	46	19	18¾	18⅞	−¼
48⅛	42	AldSgnn	1.80	4.0	9	22088	45⅞	44⅜	45⅛	+¼
70½	62	AldS	pfA4.12	6.1		38	67	66¼	67	−2
63	58¾	AldS	pfC6.74	11.		163	62¼	60½	61¾	+1
111	103½	AldS	pfD 12	11.		8	107¾	107½	107½	−¼
103⅝	101⅜	AldS	pfF			565	103¼	103	103¼	
64½	47¾	AlldStr	2.20	3.4	8	2523	u64⅞	63⅝	64¾	+⅞
9½	3¼	AllisCh				229	3½	3¼	3¼	−⅛
34⅞	24	AlisC pf				15	29	27½	29	+1½
30⅛	22¾	ALLTL	1.96	6.7	9	73	29⅛	28⅝	29⅛	+¼
38½	30¾	ALLT	pf2.06	5.4		5	38	38	38	+½
39⅞	29¾	Alcoa	1.20	3.5	32	5033	35	34	34½	+½
19	10½	Amax	.10j			457	11⅝	11⅜	11⅜	−⅛
36½	27½	Amax	pf 3	11.		3	28	27¾	27¾	−1½
34	22¾	AmHes	1.10	3.7	24	2673	29¾	29¼	29⅝	+⅛
2¾	1⅜	AmAgr				266	1½	1⅜	1⅜	
27⅛	16	ABakr			10	223	26½	26⅛	26¼	+⅛
70	53¼	ABrand	3.90	6.5	8	755	60⅜	59⅝	59⅞	+¼
30½	25¾	ABrd	pf2.75	9.1		201	30⅜	30¼	30¼	+⅛
70⅝	54⅞	ABrd	pf2.67	4.4		2	60⅝	60⅜	60⅝	+⅜
119¾	56½	ABdcst	1.60	1.3	20	1124	119¾	119½	119⅝	
30⅛	20¼	ABldM	.86	3.6	14	44	24	23½	24	+¾
31⅛	20½	ABusPr	.64	2.1	16	208	31⅛	31	31	−⅛
63¼	47¾	AmCan	2.90	4.6	13	1971	62⅞	61⅞	62⅝	+1
25¾	22¼	ACan	pf2.80	11.		29	24⅞	24¾	24¾	−⅛
55¾	42	ACan	pf 3	5.4		1	55¼	55¼	55¼	+⅜
22¼	18	ACapBd	2.20	9.9		49	22¼	22⅛	22¼	+⅛
30⅞	25¾	ACapCv	2.51e	9.3		29	27	27	27	+⅛
11	5⅛	ACentC				55	5½	5⅛	5¼	
58⅝	44½	ACyan	1.90	3.3	17	1278	58⅝	57⅝	58⅜	+⅝
29¾	19¾	ADT	.92	3.3	26	279	28⅛	27¾	27⅞	+⅜
24⅞	19⅞	AElPw	2.26	9.7	9	1913	23¼	23	23¼	+⅛
49⅜	34⅜	AmExp	1.36	2.8	16	9866	48¾	47⅞	48⅝	+⅝
29½	14¼	AFamI s	.48	1.7	17	685	28⅞	27⅞	28⅞	+1

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from Page 32

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
91½	54⅝	Wrigly 1.80a		2.0	15	16	88¾	88⅝	88¾	+½
4¾	2⅞	Wurltzr				47	3½	3⅜	3½	+⅛
16	10⅝	WyleLb .32		2.4	31	42	13⅛	13	13⅛	
23⅜	15½	Wynns .80		3.5	13	17	17⅛	17	17	−⅛

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
57¼	35¾	Xerox	3	5.3	19	2618	57¼	55¾	56½	+¾
56	48⅛	Xerox pf5.45		9.8		7	55⅞	55¾	55⅞	+⅛
30¼	24⅝	ZaleCp 1.32		4.5	13	93	29½	29¼	29½	+⅛
17⅛	7¼	Zapata .12		1.3	66	1033	9⅜	9⅛	9¼	
61¼	32⅝	Zayre s .48		.8	17	1226	58	57	57	−½
25	16¾	ZenithE			894	807	18¼	17⅞	17⅞	−¼
21⅞	15¾	Zero s .32		1.6	17	113	20	20	20	−⅛
41½	24¾	Zurnin 1.32		3.4	15	243	39⅛	38½	39⅛	+⅝

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, November 21

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Confident dash to fresh high

CONFIDENCE in the outlook for US interest rates reignited Wall Street stocks yesterday, sending market indices to new peaks in increased trading, *writes Terry Byland in New York.*

By 3 pm, the Dow Jones industrial average was up 11.7 at 1450.69.

The market *opened strongly on the* back of the surge in bond prices late in *the previous session.*

The Dow gained nearly 9 in the first half hour, backed by good gains in IBM and Merck, which both reached new 52-week highs. Gains quickly spread over the full range of the market.

The Standard & Poor's 500 index and the Dow composite index also broke new ground and confidence in falling interest rates pushed utility stocks ahead, bringing a sharp gain in the Dow utility average.

Interest-rate optimism remained strong in the bond market, although bond prices settled lower as traders awaited news from the day's auction of 10-year Treasury securities. Satisfactory demand at this week's auctions has been a major boost for Wall Street.

In pre-issue trading, Treasury 10-year and 30-year securities, due for auction *today, were buoyant, confirming the single-digit yields on long-dated* Treasury issues which have reappeared this week after a five-year absence.

Among banks J.P. Morgan established a new peak *rising $⅞ to 57¼*, while Citicorp rose $1⅛ to $47⅞, Chase Manhattan $1 to $63, and Bankers Trust $¾ to $70¼.

IBM touched $140 in heavy turnover before settling at $139⅞, a gain of $¾ and also a new peak.

Honeywell, $1½ up at $67⅞, and Digital Equipment, $1⅛ up at $118, responded vigorously to demand in the computer sector. Burroughs was less active, adding $½ to $59⅝, as was NCR $½ up at $37½.

Pharmaceuticals, Wall Street's favourite *dollar-oriented issues* because half their sales are made outside the US, soared again. Merck gained $1¾ to $123⅞, and other strong features included Pfizer, up $1 at $5⅝, Bristol-Myers, up $1 at $63⅛, and Upjohn, $1¾ higher at $131.

But car stocks, chastened by layoffs at Buick plants because of falling demand, managed only minor improvements. General Motors added $¼ to $71, Ford $¼ to $54⅛ and Chrysler $⅝ to $44¼.

Chemical industry stocks were also *less active than other sectors. Monsanto* added $⅝ to $45½, but Dow edged up only $⅛ to $38¼.

Airlines turned in a disappointing performance, with only North West Air, a takeover spot, gaining $2 to $52. Other domestic carriers suffered profit-taking which left United $½ lower at $49⅞, and Delta down $½ at $49¼.

Railways responded well to the signs of continued growth in the US economy. Burlington Northern gained $1 to $68⅜, and CSX, at $ 28⅛, was $½ better.

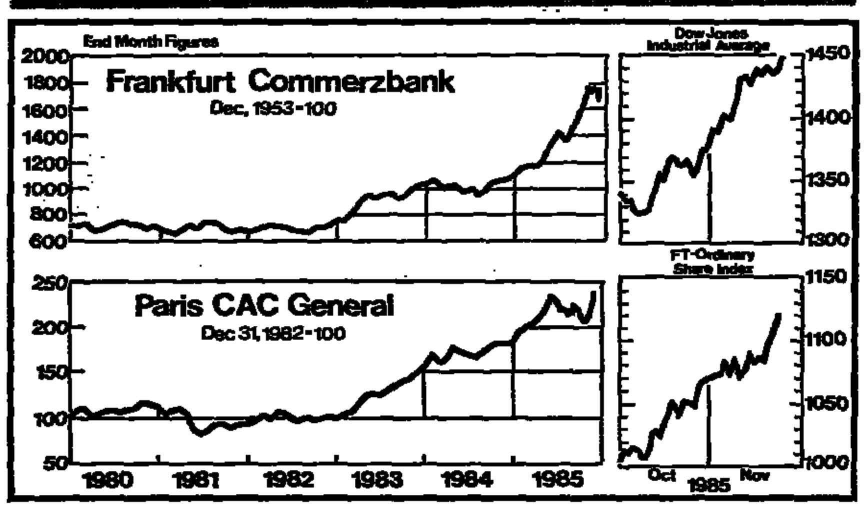
Also active was Texaco, which rallied $½ to $35¼ after falling *sharply* this week on the court ruling that it should *pay $10.5bn to Pennzoil over the Getty* Oil acquisition. Other oil stocks lay dormant, although Standard Oil of Ohio (Sohio) added $⅞ to $52¼.

Allied-Signal, which is making a major spin-off of about 30 subsidiaries, edged up $⅝ to $45⅜ in active trading. Barnes Group, which is to buy 1m of its shares, gained $2¼ to $25⅝.

In the credit market, the Fed reversed the policies of the past two sessions by supplying funds through $2bn in customer re-purchase arrangements when federal funds touched 8⅛ per cent. The rate then dipped below 8 per cent, but this had little effect elsewhere in the market.

Bond prices settled back as the Treasury auction was opened but dealers said there was little selling.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 21	Previous	Year ago
NEW YORK			
DJ Industrials	1,450.69*	1,439.22	1,201.52
DJ Transport	684.57*	685.74	523.58
DJ Utilities	165.26*	164.50	143.67
S&P Composite	200.78*	198.99	164.52
LONDON			
FT Ord	1,121.6	1,106.0	909.9
FT-SE 100	1,443.1	1,424.3	1,166.8
FT-A All-share	696.04	689.71	550.04
FT-A 500	763.12	755.39	599.31
FT Gold mines	293.6	285.2	572.3
FT-A Long gilt	10.41	10.43	10.16
TOKYO			
Nikkei	12,697.02	12,642.89	11,249.7
Tokyo SE	1,001.20	996.80	852.73
AUSTRALIA			
All Ord.	984.3	986.4	774.3
Metals & Mins.	485.3	489.7	467.2
AUSTRIA			
Credit Aktien	113.03	110.09	58.43
BELGIUM			
Belgian SE	2,961.62	2,947.28	—
CANADA	Nov 21	Prev	Year ago
Toronto			
Metals & Minls	1,911.3	1,878.3	1,961.0
Composite	2,834.9	2,811.0	2,385.8
Montreal			
Portfolio	137.50	136.23	118.55
DENMARK			
SE	n/a	227.77	164.23
FRANCE			
CAC Gen	239.5	236.7	180.1
Ind. Tendance	139.9	136.9	98.7
WEST GERMANY			
FAZ-Aktien	597.08	589.79	367.74
Commerzbank	1,764.6	1,742.7	1,075.8
HONG KONG			
Hang Seng	1,762.51	1,757.29	1,084.35
ITALY			
Banca Comm.	425.52	422.84	213.28
NETHERLANDS			
ANP-CBS Gen	238.0	236.1	175.0
ANP-CBS Ind	213.6	211.4	136.9
NORWAY			
Oslo SE	404.51	405.07	281.41
SINGAPORE			
Straits Times	733.99	747.85	785.26
SOUTH AFRICA			
JSE Golds	–	1,224.0	1,078.5
JSE Industrials	–	1,001.2	937.9
SPAIN			
Madrid SE	137.34	136.73	102.18
SWEDEN			
J & P	1,513.68	1,519.72	1,318.89
SWITZERLAND			
Swiss Bank Ind	536.3	536.4	376.0
WORLD	Nov 20	Prev	Year ago
Capital Int'l	240.4	239.7	184.2

COMMODITIES

(London)	Nov 21	Prev
Silver (spot fixing)	427.45p	428.90p
Copper (cash)	£941.75	£945.50
Coffee (Jan)	£1,901.50	£1,923.50
Oil (spot Arabian Light)	$27.925	$27.925

GOLD (per ounce)

	Nov 21	Prev
London	$326.00	$325.75
Zürich	$326.00	$326.00
Paris (fixing)	$326.60	$327.70
Luxembourg	$325.50	$325.60
New York (Dec)	$327.4	$326.80

CURRENCIES

(London)	U.S. DOLLAR Nov 21	U.S. DOLLAR Previous	STERLING Nov 21	STERLING Previous
$	–	–	1.442	1.4335
DM	2.593	2.6115	3.74	3.7425
Yen	202.0	203.35	291.25	291.5
FFr	7.9025	7.9575	11.395	11.4075
SFr	2.123	2.141	3.06	3.07
Guilder	2.9175	2.936	4.2075	4.2075
Lira	1,752.0	1,760.5	2,526.5	2,523.5
BFr	52.375	52.65	75.5	75.45
C$	1.3765	1.377	1.9855	1.973

INTEREST RATES

	Nov 21	Prev
Euro-currencies (3-month offered rate)		
£	11⅝	11⅝
SFr	4	4
DM	4¾	4¾
FFr	9¼	9⁵⁄₁₆
FT London Interbank fixing *(offered rate)*		
3-month U.S.$	8¹⁄₁₆	8⅛
6-month U.S.$	8⅛	8⅛
U.S. Fed Funds	8*	8¼
U.S. 3-month CDs	7.75*	7.9
U.S. 3-month T-bills	7.23*	7.47

U.S BONDS

Treasury		Nov 21* Price	Nov 21* Yield	Prev Price	Prev Yield
8⅝	1987	100²⁰⁄₃₂	8.513	100¹⁸⁄₃₂	8.54
9⅝	1992	101¹⁴⁄₃₂	9.457	101⅟₃₂	9.53
10½	1995	105⁹⁄₃₂	9.646	104²⁸⁄₃₂	9.71
10⅝	2015	106²¹⁄₃₂	9.922	105²⁷⁄₃₂	10.00

Treasury Index

Maturity (years)	Return index (Nov 21*)	Day's change (Nov 21*)	Yield	Day's change
1–30	133.65	+0.29	9.17	−0.04
1–10	131.21	+0.18	8.91	−0.03
1– 3	127.11	+0.06	8.44	−0.02
3– 5	132.92	+0.19	9.12	−0.04
15–30	142.34	+0.69	10.12	−0.05

Source: Merrill Lynch

Corporate	Nov 21* Price	Nov 21* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	102⅝	9.70	102⅝	9.70
3⅞ July 1990	84⅞	7.85	84⅞	7.85
8¾ May 2000	87¾	10.40	87¾	10.40
Xerox				
10⅞ Mar 1993	102¾	10.17	102¾	10.17
Diamond Shamrock				
10⅜ May 1993	100	10.625	100	10.625
Federated Dept Stores				
10⅜ May 2013	96⅞	11.05	96⅞	11.05
Abbot Lab				
11.80 Feb 2013	105½	11.15	105½	11.15
Alcoa				
12⅛ Dec 2012	104⅞	11.65	104⅞	11.65

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	81–28	82–00	81–16	81–00
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	93.00	93.03	92.97	92.95
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.32	92.34	92.31	92.29
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	92.05	92.12	92.04	92.02
20-year Notional Gilt £50,000 32nds of 100%				
Dec	112–01	112–12	111–28	111–23

* *Latest available figures*

TOKYO

Rate moves rekindle enthusiasm

ENTHUSIASM for stocks increased slightly in Tokyo yesterday as US interest rates continued to fall and the Bank of Japan eased its policy of guiding *short-term rates higher, writes Shigeo Nishiwaki of Jiji Press.*

Some blue-chips, which had risen on Wednesday in heavy buying by investment-trust funds, were sold yesterday for quick profits, with some investors concerned about the uncertainty of the market. However, large-capital issues and stocks with large hidden assets attracted buyers.

The Nikkei average gained 54.13 to finish at 12,697.02 with 343m shares traded, little changed from Wednesday's 346m. Losses marginally outnumbered gains by 403 to 400, with 138 issues unchanged.

The advance continued to be led by blue-chips – particularly electricals and *precision-instrument shares.* The leaders were spurred on by continued buying by investment-trust funds and overnight rises in the prices of Japanese shares traded on the New York Stock Exchange in the form of American Depository Receipts (ADRs).

Oki Electric, most active with 12m shares traded, firmed Y34 to Y670 on rumours of a business agreement with Nippon Telegraph and Telephone. Hitachi added Y7 to Y728, Fujitsu Y20 to Y1,060, NEC Y10 to Y1,240 and Nippon Kogaku Y36 to Y958.

Market reports for Australia, Hong Kong, South Africa and Singapore are on Page 31.

Blue-chips hit by profit-taking included Konishiroku Photo, which was down Y11 at Y696.

Among favoured big-capital issues, *Mitsubishi Heavy Industries gained* Y15 to Y375 with 8.7m shares traded, the second most active stock of the session. Nippon Steel gained Y6 to Y160 and Tokyo Electric Power Y30 to Y2,330.

Of the hidden-asset issues, Sumitomo Warehouse gained Y12 to Y602, Mitsubishi Estate Y60 to Y1,140 and Sumitomo Realty and Development Y59 to Y1,050.

Constructions also advanced. Ohbayashi climbed Y17 to Y372 and Kajima Y9 to Y462.

With blue-chips showing signs of levelling off, investors' interest began shifting to other issues. Some large securities houses felt the market would remain confused for some time.

Foreign buy orders *of 20m shares* placed with the four leading securities *firms surpassed sell orders for* 18m shares. Foreign activity centred on non-life insurance stock, *blue-chips and trading houses.*

*The bond market strengthened in re*sponse to the easing of the central bank's policy *towards short-term interest rates* and lower US interest rates.

With *trading among* brokers picking up, the yield on the benchmark 6.8 per cent *government bond due in December* 1994 fell to 6.510 per cent at one stage, but closed at *6.605 per cent, down from* Wednesday's 6.780 per cent.

Many institutional investors remained cautious about market prospects and tended to sell in the face of fast-rising bond prices. Volume on the over-the-counter market continued thin.

CANADA

OPTIMISM over interest rates and gains on Wall Street helped Toronto to trade sharply higher.

The rally was paced largely by mines *including Noranda*, which added C$⅜ to C$14¼, Placer which rose C$⅝ to C$23⅞, Denison which also firmed C$⅛ to C$13⅛ and Agnico-Eagle, which was up C$⅛ to C$20.

Other actives included Dome Petroleum, up 15 cents to C$3.50, Westcoast Transmission, which added C$¼ to C$17⅝ and Daon Development, which rose 15 cents to C$5. However, Cominco traded C$¼ lower at C$10⅝.

In Montreal industrials traded generally higher, while other sectors showed only marginal increases.

EUROPE

Bulls fuel stampede to peaks

ANOTHER HANDFUL of records was achieved on the European bourses yesterday as institutional and foreign investors continued the bull run that has stampeded over most of the recently established trading peaks.

Frankfurt, refreshed by its Repentance Day break, scored a solid advance with a 21.9 gain in the Commerzbank index to 1,764.6, not far from its all-time peak achieved only a fortnight ago.

Chemical, bank and car stocks sparkled with Bayer and BASF showing gains of *DM 5.50* each to *DM 260 and* DM 267.50, respectively. Hoechst scored a proportionally more impressive *DM 5* to rise to DM 256.50 and Schering picked up DM 4.50 to DM 666.

In banks, gains of DM6 were the order of the day for Commerzbank, Dresdner Bank and Deutsche Bank at DM 273, DM 343.50 and DM 712.50 respectively, and Bayerische Vereinsbank closed DM 4 stronger at DM 438.

The bond *market* was *particularly* active, with investors lured by the fall of *the dollar* against the D-Mark. Gains of up to 75 basis points were achieved and the Bundesbank used the *market's* strength to sell DM 110.5m of public paper compared with Tuesday's sales of DM 125.5m.

Featuring high on the list of the new record-setters, **Paris** bubbled with investor enthusiasm fostered by hefty over*seas buying which more than offset the normal end-of-month liquidation pressures.*

The CAC General *moved to a fresh peak with a 2.8 gain to 239.5.*

Among the major advancers were Lafarge Coppée, FFr 37 higher at FFr 670, while Radiotechnique put on FFr 15 to FFr 410. Thomson-CSF gained FFr 14 to FFr 637 and Total jumped FFr 12 to a new high for the year of FFr 291 after *announcing a new oil find.*

The twin prongs of domestic institutional and heavy overseas buying were felt in **Brussels** taking the Stock Exchange Index to another record level with a 14.34 gain to 2,961.62. Utilities continued to set the pace with Intercom jumping BFr 60 to BFr 3,030, a new 1985 peak, while Ebes put on BFr 105 to BFr 4,000, just below its high for the year.

The bullish tone continued in **Amsterdam**, boosting the ANP-CBS General index to another record with a 2.9 rise to 238.0.

Banks were spotlighted. ABN glowed with a *Fl 9 gain to Fl 552* while *Amro* climbed Fl 1.60 to Fl 99.80.

Bonds were *selectively higher* by up to 20 basis points.

Milan turned mixed near the close but still managed to settle at a record. The Banca Commerciale index rose 2.68 to a record 425.52. Profit-takers trimmed L64 off Fiat at L4,956, while Snia lost L10 at L6990. Olivetti put on L185 to L7,895, a high for the year.

Early hesitation was overcome in **Zurich**, where several key indices managed records, but the Swiss Bank Industrial index eased 0.1 to 536.3.

Madrid gained *further* ground, taking it to a new high, although telecommunications shed some of the recent strength.

Vienna hit another high, while **Stockholm**, awash with corporate news, turned lower in thin trading.

LONDON

Good results spur climb to record

THE CLIMB to fresh peaks continued in London yesterday where the FT Ordinary index closed 15.6 higher for a three-day rise of 38.4 at 1,121.6.

The broader-based FT-SE 100 index climbed 18.8 to 1,443.1.

A *flow of good* interim and preliminary profits reports from industry leaders such as *BP, Boots, Burton* and Distillers provided much of the momentum for the rise.

Active trading saw BP close 13p higher at 605p, Boots add 15p to 237p and Burton rise 18p to 623p. However, Distillers slipped 3p to 495p, the news of its good results having been discounted in the share's recent rise.

South African shares mirrored gains in Johannesburg with Anglo American 65p higher at 815p and De Beers Deferred 42p up at 342p.

Elsewhere among actives Cray Electronics added 18p to 278p, Thorn EMI firmed 20p to 417p, Beecham rose 13p to 303p and Crystalate was 10p higher at 133p. However, European Ferries shed 2½p to 146½p, Extel was 13p down at 335p *and Jaguar lost* 1p to 334p.

Interest-rate hopes and a firmer pound helped demand for government securities. Longer bonds rose about ½ while shorts and *index-linked* stocks edged up by no more than ¼.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28–29